AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 5, 2000

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

DYNAVAX TECHNOLOGIES CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	2836	94-3378733
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

717 POTTER STREET, SUITE 100
BERKELEY, CALIFORNIA 94710
(510) 848-5100
(Address and telephone number of principal executive offices and principal place of business)

DINO DINA, M.D.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
DYNAVAX TECHNOLOGIES CORPORATION
717 POTTER STREET, SUITE 100
BERKELEY, CALIFORNIA 94710
(510) 848-5100

(Name, address, and telephone number of agent for service)

COPIES TO:

JOHN W. CAMPBELL, ESQ.
MATTHEW BURNS, ESQ.
CHARLES C. KIM, ESQ.
DONALD C. HUNT, ESQ.
CRAIG M. GLANTZ, ESQ.
MORRISON & FOERSTER LLP
425 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94105

WILLIAM J. CERNIUS, ESQ.
DAVID B. ALLEN, ESQ.
STEPHEN SALVUCCI, ESQ.
LATHAM & WATKINS
650 TOWN CENTER DRIVE, 20TH FLOOR
COSTA MESA, CALIFORNIA 92626

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, $0.001 par value per share.....	$75,000,000	$19,800

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed without notice. Dyanvax Technologies Corporation may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities and Dynavax Technolgies Corporation is not soliciting offers to buy these securities in any state where the offer or sale of these securities is not permitted.

PROSPECTUS (NOT COMPLETE)
ISSUED , 2000

SHARES

[DYNAVAX LOGO]

COMMON STOCK

Dynavax Technologies Corporation is offering shares of stock in a firmly underwritten offering. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price for our shares will be between $ and $ per share. After the offering, the market price for our shares may be outside of this range.

We applied to have our common stock listed on the Nasdaq National Market under the symbol "DVAX."

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 4.

	Per Share	Total
Offering Price	$	$
Discounts and Commissions to Underwriters	$	$
Offering Proceeds to Dynavax	$	$

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

Dynavax Technologies Corporation has granted the underwriters the right to purchase up to an additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within thirty days after the offering. Banc of America Securities LLC expects to deliver the shares of common stock to investors on , 2000.

JOINT BOOK RUNNING MANAGERS

BANC OF AMERICA SECURITIES LLC UBS WARBURG LLC

, 2000

ARTWORK DESCRIPTION
(INSIDE FRONT COVER)

DYNAVAX LOGO

ALLERGIES
VACCINES/IMMUNOTHERAPY
CANCER IMMUNOTHERAPY

PICTURE REPRESENTING
LINKED ISS

PICTURE REPRESENTING
THIAZOLOPYRIMIDINES
MOLECULAR STRUCTURE

REPROGRAMMING THE
IMMUNE SYSTEM

RHEUMATOID ARTHRITIS
CROHN'S DISEASE
CONGESTIVE HEART FAILURE
ASTHMA

PICTURE REPRESENTING
IMMUNOSTIMULATORY SEQUENCES
(ISS)

IDIOPATHIC PULMONARY FIBROSIS
CHRONIC VIRAL INFECTIONS
ENHANCED CANCER THERAPY

The date of this prospectus is , 2000. The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION FOUND IN GREATER DETAIL ELSEWHERE IN THIS PROSPECTUS. IN ADDITION TO THIS SUMMARY, WE URGE YOU TO READ THE ENTIRE PROSPECTUS CAREFULLY, ESPECIALLY THE DISCUSSION OF THE RISKS OF INVESTING IN OUR COMMON STOCK UNDER "RISK FACTORS," BEFORE DECIDING TO BUY OUR COMMON STOCK. REFERENCES IN THIS PROSPECTUS TO "DYNAVAX," "OUR COMPANY," "WE," "OUR" AND "US" REFER TO DYNAVAX TECHNOLOGIES CORPORATION.

THE COMPANY

Dynavax is a biopharmaceutical company focused on discovering, developing and commercializing innovative products to treat and prevent allergies, infectious diseases, cancer and chronic inflammatory diseases. Our development efforts are based on two proprietary and versatile approaches aimed at altering the immune system response in highly specific ways. Our primary research focus is on immunostimulatory sequences, or ISS, which are short DNA sequences that enhance the ability of the immune system to fight disease and control chronic inflammation. In a separate program, we are also developing orally available small molecules in the thiazolopyrimidine, or TZP, class. TZPs inhibit the production of chemical signals, or cytokines, such as tumor necrosis factor alpha, or TNF-alpha, and interleukin-12, or IL-12, that cause inflammation and disease.

ISS. Our ISS technology is capable of influencing the immune system at the early stages of its response to infectious organisms, allergens and cancer cells. ISS, through their ability to enhance beneficial aspects of the immune response and suppress harmful inflammatory responses, may prove capable of supporting therapeutic interventions against a wide variety of diseases.

Our lead product candidate, AIC, is currently in Phase II human clinical testing to measure safety and dosing for the treatment of ragweed allergy. Expanded Phase III studies to measure safety and efficacy are planned for 2002. The results of trials to date indicate that AIC produced beneficial immune responses and had fewer side effects than conventional ragweed pollen extracts currently used in immunotherapy. As AIC progresses through clinical testing, we intend to link ISS with other allergens to produce similar product candidates for the treatment of major seasonal and life threatening allergies. Our ISS linking technology may provide a distinct advantage over conventional immunotherapy in safety, convenience and efficacy. Similarly, by using ISS with infectious disease antigens or using ISS alone, we believe we can produce more effective infectious disease vaccines that will elicit immune responses that will protect against future infections and may also be effective at treating existing infections such as hepatitis B and human immunodeficiency virus, or HIV. We have also demonstrated in animals and cell models that our ISS molecules cause the production of cytokines that can suppress inflammation in diseases such as asthma, idiopathic pulmonary fibrosis and ulcerative colitis.

TZPS. Our second approach focuses on the development of TZPs. We believe our TZP molecules will be useful in treating inflammatory diseases, such as rheumatoid arthritis and Crohn's disease, characterized by elevated production of cytokines that cause inflammation. We have shown in animal models that our TZP drug candidate suppresses TNF-alpha and IL-12 production. We believe our lead product candidate will be orally available, which would offer substantial advantages over existing, injectable TNF-alpha blockers. In addition, we are researching other small molecules in the TZP class that inhibit a broader range of cytokines.

Our strategy is to demonstrate the capabilities of our ISS and TZP technologies and, where appropriate, enter into collaborative arrangements with other pharmaceutical companies that possess needed complementary capabilities, development resources or other assets. We are currently collaborating with: Aventis Pasteur S.A. to develop vaccines composed of ISS linked to HIV antigens; Stallergenes S.A. to support our AIC development efforts in France; and Triangle Pharmaceuticals, Inc. to develop antiviral drugs that will prevent and treat viral infections.

We were incorporated in California in August 1996 under the name Double Helix Corporation, and we changed our name to Dynavax Technologies Corporation in September 1996. We intend to reincorporate in Delaware in December 2000. Our principal executive offices are located at 717 Potter Street, Suite 100, Berkeley, California 94710. Our telephone number is (510) 848-5100. Our internet address is www.dynavax.com. Information contained on our website does not constitute a part of this prospectus.

THE OFFERING

Common stock offered by us.....	shares
Common stock to be outstanding after this offering.....	shares
Use of proceeds.....	We estimate that our net proceeds from this offering without exercise of the over-allotment option will be approximately $ million after deducting the underwriting discounts and commissions and estimated offering expenses. The principal purposes of this offering are to obtain additional capital and increase our financial flexibility. We intend to use the net proceeds to increase the size of our staff to implement our product development programs, lease an additional facility to house our operations and establish our manufacturing capabilities. Pending these uses, we will invest the net proceeds of this offering in short-term, investment grade, interest-bearing instruments.
Proposed Nasdaq National Market symbol.....	DVAX

The number of shares of common stock to be outstanding immediately after the offering is based upon 15,474,048 shares of common stock outstanding as of September 30, 2000 assuming conversion of all convertible preferred stock, but excludes:

- 171,396 shares of common stock issuable upon the exercise of options outstanding as of September 30, 2000 at a weighted average exercise price of $0.47 per share;
- 3,000,000 shares of common stock reserved for issuance under our 2000 stock incentive plan and the 2000 non-employee director option program, which will become effective upon the effectiveness of this offering;
- 900,000 shares of common stock available for issuance under our 2000 employee stock purchase plan, which will become effective upon the effectiveness of this offering; and
- 10,285 shares of common stock issuable upon the exercise of warrants outstanding as of September 30, 2000 at a weighted average exercise price of $2.19 per share.

Unless otherwise noted, all information in this prospectus assumes that:

- we have completed a seven-for-four reverse stock split prior to the closing of this offering;
- the underwriters will not exercise their option to purchase additional shares of common stock to cover over-allotments, if any; and
- all outstanding shares of our preferred stock will convert into shares of common stock upon the completion of this offering.

SUMMARY FINANCIAL DATA

You should read the following summary financial data in conjunction with our financial statements and the related notes, "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	PERIOD FROM AUGUST 29, 1996 (DATE OF INCEPTION) TO DECEMBER 31, 1996	YEARS ENDED DECEMBER 31, 1997	1998	1999	NINE MONTHS ENDED SEPTEMBER 30, 1999 (UNAUDITED)	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
STATEMENT OF OPERATIONS DATA:						
Collaboration and other revenue	$ --	$ --	$ --	$ 450	$ 155	$ 1,493
Operating expenses:						
Research and development*	65	2,939	5,978	6,049	4,455	5,655
General and administrative*	157	807	1,116	1,396	1,010	2,421
Total operating expenses	222	3,746	7,094	7,445	5,465	8,076
Loss from operations	(222)	(3,746)	(7,094)	(6,995)	(5,310)	(6,583)
Interest income, net	16	241	316	436	325	667
Net loss	(206)	(3,505)	(6,778)	(6,559)	(4,985)	(5,916)
Deemed dividend related to beneficial conversion feature of preferred stock	--	--	--	--	--	(16,033)
Net loss attributable to common stockholders	$ (206)	$(3,505)	$(6,778)	$(6,559)	$(4,985)	$(21,949)
Net loss per share attributable to common stockholders, basic and diluted	$(1.89)	$ (5.29)	$ (6.64)	$ (4.50)	$ (3.56)	$ (11.21)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	109	663	1,021	1,457	1,400	1,958
Pro forma net loss per share attributable to common stockholders, basic and diluted				$ (0.63)		$ (0.46)
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted				10,458		12,966

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* Includes non-cash charges for stock compensation expense as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1999 (UNAUDITED)	2000
Research and development	$ 94	$ 10	$ 194
General and administrative	52	3	401
	$ 146	$ 13	$ 595

The summary balance sheet data at September 30, 2000 is presented:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all shares of mandatorily redeemable convertible preferred stock outstanding as of September 30, 2000 into 12,646,619 shares of common stock; and
- on a pro forma as adjusted basis to reflect the sale of shares of common stock offered by this prospectus at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	SEPTEMBER 30, 2000		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		

BALANCE SHEET DATA:			
Cash, cash equivalents and marketable securities.....	$ 27,660	$27,660	$
Working capital.....	26,511	26,511	
Total assets.....	29,037	29,037	
Mandatorily redeemable convertible preferred stock.....	49,223	--	
Total stockholders' equity (deficit).....	(21,897)	27,326	

RISK FACTORS

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW AND THE OTHER INFORMATION IN THIS PROSPECTUS, INCLUDING OUR CONSOLIDATED FINANCIAL STATEMENTS AND THE RELATED NOTES, BEFORE YOU PURCHASE ANY SHARES OF OUR COMMON STOCK. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE GENERALLY AFFECTING THE MARKET IN WHICH WE OPERATE OR THAT WE CURRENTLY DEEM IMMATERIAL, MAY ALSO IMPAIR OUR BUSINESS.

RISKS RELATED TO OUR BUSINESS

BECAUSE OUR TECHNOLOGIES AND PRODUCT DEVELOPMENT PROGRAMS ARE UNPROVEN, OUR BUSINESS MAY NOT SUCCEED.

Our technological approach to the development of products is unproven in humans, and we face the risk of failure inherent in developing drugs based on new technologies. Products based on our technologies are currently in the research, pre-clinical or clinical investigation stages and have not been proven to be safe or effective. Currently, only one of our immunotherapeutic product candidates, AIC, has advanced to clinical trials, and we have only limited clinical data for this product candidate. Neither we nor any of our collaborators have conducted any clinical trials using our proprietary technologies for inflammatory or infectious diseases or cancer. We have not received regulatory approval for, or successfully commercialized, any vaccines or therapeutic drugs for the allergic, inflammatory or infectious diseases that we target or cancer. We may not be able to develop effective products for these diseases within a reasonable time, if ever, and our products may not be capable of being commercialized. Furthermore, we will need to conduct significant additional research and testing, and our programs may not move beyond their current stages of development.

None of our product candidates, including AIC, is expected to be commercially available until 2004 at the earliest. Many of our other product candidates operate in a manner similar to AIC, and based on results at any stage of clinical trials we may decide to discontinue development of any or all of these product candidates. Additionally, even if the clinical results for our product candidates are favorable, we may decide not to commercialize any of them.

IF THIRD PARTIES SUCCESSFULLY ASSERT WE HAVE INFRINGED THEIR PATENTS AND PROPRIETARY RIGHTS OR CHALLENGE THE VALIDITY OF OUR PATENTS AND PROPRIETARY RIGHTS, OUR BUSINESS MAY SUFFER.

Our commercial success depends significantly on our ability to operate our business without infringing the patents and other proprietary rights of third parties. This could result in our collaborators and us being prevented from pursuing product development or commercialization of our technologies and product candidates, which would significantly harm our business.

The defense and prosecution of intellectual property rights, U.S. Patent and Trademark Office interference proceedings and related legal and administrative proceedings in the United States and elsewhere involve complex legal and factual questions. As a result, these proceedings are costly and time-consuming, and their outcome is uncertain. Litigation may be necessary to:

- assert claims of infringement;
- enforce our issued and licensed patents;
- protect our trade secrets or know-how; or
- determine the enforceability, scope and validity of the proprietary rights of others.

A potential competitor has patent claims pending in the U.S. Patent and Trademark Office that if issued and held to be valid could require us to obtain a license to commercialize a number of our formulations of ISS in conjunction with antigens in the United States. The scope of these claims and the likelihood of their being granted cannot be determined with certainty. We believe that some of the ISS antigen formulations we are pursuing do not fall within the scope of the claims that may issue. We

intend to pursue these ISS antigen formulations in our future programs. If the claims do issue, we may have the opportunity to seek to obtain a license by paying cash, granting royalties on sales of our products or offering licenses to our own technologies. In addition, we would also have the opportunity to challenge the validity of the claims through litigation. We can offer no assurance that we would be able to obtain such a license on commercially reasonable terms, if at all, or that we would be successful in challenging the validity of the claims in question.

If we become involved in any litigation, interference or other administrative proceedings, we will incur substantial expenses and will divert the efforts of our technical and management personnel. An adverse determination in these proceedings may result in the invalidation of our patents, subject us to significant liabilities or require us to seek licenses that may not be available from third parties on commercially reasonable terms or at all. We may be restricted or prevented from developing and commercializing our products, if any, in the event of an adverse determination in a judicial or administrative proceeding or if we fail to obtain necessary licenses. Any of these outcomes would significantly harm our business and cause a decline in the price of our common stock in the public market.

IF THE COMBINATION OF PATENTS, TRADE SECRETS AND CONTRACTUAL PROVISIONS THAT WE RELY ON TO PROTECT OUR INTELLECTUAL PROPERTY IS INADEQUATE, OUR BUSINESS MAY SUFFER.

Our success depends in part on our ability to:

- obtain commercially valuable patents or the rights to those patents;

- protect our trade secrets;

- operate without infringing upon the proprietary rights of others; and

- prevent others from infringing our proprietary rights.

We will only be able to protect our proprietary rights from unauthorized use to the extent that these rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. We try to protect our proprietary rights by filing and prosecuting U.S. and foreign patent applications. As of September 30, 2000, we have seven issued U.S. and foreign patents covering methods and compositions for DNA vaccination and one issued U.S. patent covering methods and compositions for TNF-alpha blockers, as well as 23 pending U.S. patent applications. We have two pending U.S. applications directed to DNA vaccination, four pending U.S. applications directed to methods and compositions for TNF-alpha blockers and 17 pending U.S. applications directed to ISS compositions and methods of use.

Our patent position is generally uncertain and involves complex legal and factual questions. Legal standards relating to the validity and scope of claims in the biotechnology and biopharmaceutical field are still evolving. Accordingly, the degree of future protection for our proprietary rights is uncertain. The risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- the pending patent applications we have filed or to which we have exclusive rights may not result in issued patents or may take longer than we expect to result in issued patents;

- the claims of any patents that are issued may not provide meaningful protection;

- we may not be able to develop additional proprietary technologies that are patentable;

- the patents licensed or issued to us or our collaborators may not provide a competitive advantage;

- other companies may challenge patents licensed or issued to us or our collaborators;

- patents issued to other companies may harm our ability to do business;

- other companies may independently develop similar or alternative technologies or duplicate our technologies; and

- other companies may design around technologies we have licensed or developed.

We also rely on trade secret protection and confidentiality agreements to protect our interests in proprietary know-how that is not patentable and for processes for which patents are difficult to enforce. We cannot be certain that we will be able to meaningfully protect our trade secrets. Any material leak of confidential data into the public domain or to third parties could cause our business, financial condition and results of operations to suffer.

IF WE CANNOT SUCCESSFULLY DEVELOP OUR PRODUCTS, OR IF OUR PRODUCTS ARE NOT ACCEPTED BY THE MARKET, WE WILL NOT GENERATE REVENUE AND OUR BUSINESS WILL SUFFER.

Development of therapeutic and prophylactic products is subject to risks of failure inherent in their development or commercial viability. Also, physicians, patients or the medical community generally may not accept or use any products that may be developed by our collaborators or us. These risks include the possibility that any product may:

- be found unsafe;

- be found to be ineffective;

- fail to receive necessary regulatory approvals;

- be difficult or impossible to manufacture on a large scale;

- be uneconomical to market;

- fail to be developed prior to the successful marketing of similar products by competitors;

- be impossible to market because it infringes on the proprietary rights of third parties or competes with superior products marketed by third parties;

- be less effective than alternative treatment methods; and

- not qualify for reimbursement from government and third-party payors.

Any products we or our collaborators successfully develop, if approved for marketing, may never achieve market acceptance. These products will compete with drugs and therapies manufactured and marketed by other major pharmaceutical and other biotechnology companies. If we or our collaborators do not successfully develop and market our products, we will not generate revenue and our business will suffer.

WE ARE AT AN EARLY STAGE OF DEVELOPMENT AND HAVE LIMITED SOURCES OF REVENUE.

We are at an early stage in the development of our products. To date, almost all of our revenue has resulted from payments made under agreements with our collaborators, and we expect that most of our revenue for the foreseeable future will continue to result from existing and future collaborations. We may not receive anticipated revenue under existing collaborations, and we may not be able to enter into any additional collaborations. Furthermore, our existing collaborators are under no obligation to renew our existing agreements with them. Since our inception, we have generated no revenue from product sales. We cannot predict when, if ever, our research and development programs will result in commercially available products. We do not know when, if ever, we will receive any significant revenue from commercial sales of these products.

WE EXPECT TO INCUR FUTURE OPERATING LOSSES AND MAY NOT ACHIEVE CONSISTENT PROFITABILITY.

We have experienced significant operating losses in each year since our inception in August 1996. Our accumulated deficit was approximately $17.0 million as of December 31, 1999 and approximately

$23.0 million as of September 30, 2000. We will incur substantial additional operating losses over at least the next several years. These losses have been and will continue to be principally the result of the various costs associated with our product development activities, including the expenses associated with research and development programs, pre-clinical studies and clinical activities. We expect our losses to increase as our product development efforts expand. We may never achieve consistent profitability, and our ability to achieve a consistent, profitable level of operations is dependent in large part upon our:

- entering into agreements with collaborators for product discovery, research, development and commercialization;

- obtaining regulatory approvals for our products; and

- successfully manufacturing and marketing commercial products.

In addition, payments under collaborations and licensing arrangements will be subject to significant fluctuations in both timing and amounts. Accordingly, our results of operations for any period may fluctuate and may not be comparable to the results of operations for any other period.

COMMERCIALIZATION OF SOME OF OUR PRODUCT CANDIDATES DEPENDS ON COLLABORATIONS. IF OUR COLLABORATIONS ARE NOT SUCCESSFUL, OR IF WE ARE UNABLE TO FIND COLLABORATIONS IN THE FUTURE, OUR BUSINESS MAY NOT SUCCEED.

The success of our business strategy is largely dependent on our ability to enter into multiple collaborations and to manage effectively the numerous relationships that may result from this strategy.

To date, we have established only a limited number of relationships with collaborators, including Aventis Pasteur, Stallergenes and Triangle Pharmaceuticals. The process of establishing collaborations is difficult, time-consuming and involves significant uncertainty. Our discussions with potential collaborators may not lead to the establishment of new collaborations on favorable terms, or at all. If we are successful in establishing new collaborations, they may never result in the successful development of our products or the generation of significant revenue. Any of our collaborators who have options to license aspects of our technology may decide not to exercise those options.

Because we generally enter into research and development agreements with collaborators at an early stage of product development, we are highly dependent on them for the successful development of our products. We started receiving research and development funding from our collaborators in 2000. We do not directly control the amount or timing of resources devoted by our collaborators to collaborative activities. As a result, our collaborators may not commit sufficient resources to our research and development programs or, at a later stage, the commercialization of our products. If any collaborator fails to conduct its activities in a timely manner, or at all, our pre-clinical or clinical development related to that collaborator could be delayed or terminated, or it may be necessary for us to assume research and development activities that would otherwise have been the responsibility of our collaborators. Also, our current collaborators or future collaborators, if any, may pursue existing or other development-stage products or alternative technologies in preference to those being developed in collaboration with us. In addition, disputes may arise with respect to ownership of technology developed under any collaboration. Finally, our collaborators may terminate or fail to renew our current agreements, and we may not be able to negotiate additional collaborations in the future on acceptable terms, or at all.

Management of our relationships with our collaborators will require:

- significant time and effort from our management team;

- coordination of our research with the research priorities of our collaborators;

- effective allocation of our resources to multiple projects; and

- an ability to obtain and retain key management, scientific and other personnel.

If funding from one or more of our collaborators were reduced or terminated, or if we are unable to enter into additional collaborations in the future, we would be required to devote additional internal resources to product development or scale back or terminate some of our existing collaborative development programs.

BECAUSE OUR SUCCESS DEPENDS ON OUR PRODUCTS BEING APPROVED THROUGH A GOVERNMENT REGULATORY APPROVAL PROCESS THAT IS UNCERTAIN, TIME-CONSUMING AND EXPENSIVE, OUR BUSINESS MAY SUFFER.

Any product we or our collaborators develop is subject to regulation by federal, state and local governmental authorities in the United States, including the Food and Drug Administration, or FDA, and by similar agencies in other countries. Any product we or our collaborators develop must receive all relevant regulatory approvals or clearances before it may be marketed in a particular country. None of our product candidates has been approved for sale in the United States or any foreign market. Our success will depend, to a significant degree, on the success of our lead product candidate, AIC. If we do not receive regulatory approval in a timely manner for AIC, our business and stock price will suffer.

The regulatory process, which includes extensive pre-clinical studies and clinical trials of each product in order to establish its safety and efficacy, is uncertain, can take many years and requires the expenditure of substantial resources. Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance.

In addition, delays or rejections may be encountered based upon changes in regulatory policy during the period of product development or the period of review of any application for regulatory approval or clearance for a product. Delays in obtaining regulatory approvals or clearances:

- would adversely affect the marketing of any products we or our collaborators develop;

- could impose significant additional costs on us or our collaborators;

- would diminish any competitive advantages that we or our collaborators may attain; and

- could adversely affect our ability to receive royalties and generate revenue and profits.

Regulatory approval, if granted, may entail limitations on the indicated uses for which the approved product may be marketed. These limitations could reduce the size of the potential market for that product. Product approvals, once granted, may be withdrawn if problems occur after initial marketing. Failure to comply with applicable FDA and other regulatory requirements can result in, among other things, warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to renew marketing applications and criminal prosecution.

Further, manufacturers of approved products are subject to ongoing regulation, including compliance with detailed regulations governing good manufacturing practices including requirements relating to quality control and quality assurance. If we or our contract manufacturers are unable to comply with applicable good manufacturing practice requirements or other FDA or non-U.S. regulatory requirements we could be subject to fines or other sanctions or be precluded from marketing our products.

IF CLINICAL TRIALS FOR OUR PRODUCTS ARE UNSUCCESSFUL OR DELAYED, WE WILL BE UNABLE TO MEET OUR ANTICIPATED DEVELOPMENT AND COMMERCIALIZATION TIMELINES, WHICH COULD CAUSE OUR STOCK PRICE TO DECLINE.

Before obtaining regulatory approvals for the commercial sale of our products, we must demonstrate through pre-clinical testing and clinical trials that our product candidates are safe and effective for use in humans. Conducting clinical trials is a lengthy and expensive process.

Completion of clinical trials may take several years or more. Our commencement and rate of completion of clinical trials may be delayed by many factors, including:

- lack of efficacy during the clinical trials;

- unforeseen safety issues;

- slower than expected rate of patient recruitment;

- government or regulatory delays;

- inability to adequately follow patients after treatment; or

- inability to manufacture sufficient quantities of materials for use in clinical trials.

The results from pre-clinical testing and early clinical trials are often not predictive of results obtained in later clinical trials. A number of new drugs have shown promising results in early clinical trials, but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals. Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, we may encounter regulatory delays or rejections as a result of many factors, including perceived defects in the design of clinical trials and changes in regulatory policy during the period of product development.

As of September 30, 2000, only one of our product candidates, AIC, was in clinical trials. Patient follow-up for these clinical trials has been limited and more trials will be required before we will be able to apply for regulatory approvals. Clinical trials conducted by us or by third parties on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for AIC or any other potential product candidates. This failure may delay development of other product candidates and hinder our ability to conduct related pre-clinical testing and clinical trials. Regulatory authorities may not permit us to undertake any additional clinical trials for our product candidates. In the past, regulatory authorities have required us to suspend testing of AIC during allergy season. In addition, our ability to conduct clinical trials for some of our other products is limited because of the seasonal nature of some diseases. As a result, it may take longer to obtain regulatory approval for these products. Our other product candidates are in pre-clinical development and we have not submitted investigational new drug applications to commence clinical trials involving these product candidates. Our pre-clinical development efforts may not be successfully completed and we may not file further investigational new drug applications. Any delays in, or termination of, our clinical trials will materially and adversely affect our development and commercialization timelines, which would cause our stock price to decline and could seriously impede our ability to obtain additional financing.

OUR INABILITY TO LICENSE TECHNOLOGY FROM THIRD PARTIES MAY IMPAIR OUR ABILITY TO DEVELOP AND COMMERCIALIZE OUR PRODUCTS.

Our success also depends on our ability to enter into licensing arrangements with commercial or academic entities to obtain technology that is advantageous or necessary to the development and commercialization of our or our collaborators' products. We have various license agreements that provide us rights to use technologies owned or licensed by third parties. These license agreements generally allow us and our collaborators to use the licensed technology in research, development and commercialization activities. Our dependence on licensing arrangements subjects us to numerous risks, such as disputes regarding the invention and corresponding ownership rights in inventions and know-how resulting from the joint creation or use of intellectual property by us and our licensors or scientific collaborators. Additionally, many of our in-licensing agreements contain milestone-based termination provisions. Our failure or the failure of any of our collaborators to meet any agreed milestones could allow the licensor to terminate an agreement.

We may not be able to negotiate additional license agreements in the future on acceptable terms, or at all. In addition, our current license agreements may be terminated or may expire, and we may not be able to maintain the exclusivity of our exclusive licenses.

If we cannot obtain or maintain licenses to technologies advantageous or necessary to the development or the commercialization of our products, we and our collaborators may be required to expend significant time and resources to develop or in-license similar technology. If we are not able to do so, we may be prevented from commercializing certain of our products and our business and stock price may suffer.

WE DEPEND HEAVILY ON THE PRINCIPAL MEMBERS OF OUR MANAGEMENT, SCIENTIFIC STAFF AND SCIENTIFIC COLLABORATORS, THE LOSS OF WHOM COULD IMPAIR OUR ABILITY TO COMPETE.

We depend heavily on the principal members of our management and scientific staff, including Dr. Dino Dina, our president and chief executive officer, Dr. Dennis Carson, the chairman of our Scientific Advisory Board, and Dr. Eyal Raz, a member of our Scientific Advisory Board, the loss of whose services might significantly delay or prevent the achievement of our scientific or business objectives. Competition among biotechnology and biopharmaceutical companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to our success. We may not be able to attract and retain these individuals currently or in the future on acceptable terms, or at all, and the failure to do so would significantly harm our business. Although we maintain and are the beneficiary of $1.0 million key person life insurance policies for the lives of each of Dr. Dina, Dr. Carson and Dr. Raz, we do not believe the proceeds would be adequate to compensate us for their loss.

We also have relationships with scientific collaborators at academic and other institutions, some of whom conduct research at our request or assist us in formulating our research, development or clinical strategy. These scientific collaborators are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We have limited control over the activities of these scientific collaborators and can generally expect these individuals to devote only limited amounts of time to our activities. Failure of any of these persons to devote sufficient time and resources to our programs could harm our business. In addition, these collaborators may have arrangements with other companies to assist those companies in developing technologies that may compete with our products.

MANY OF OUR COMPETITORS HAVE GREATER FINANCIAL RESOURCES AND EXPERTISE IN DISCOVERY, RESEARCH AND DEVELOPMENT, TESTING, OBTAINING REGULATORY APPROVAL AND MARKETING THAN US.

The biotechnology and biopharmaceutical industries are intensely competitive. We compete with many companies and institutions in developing alternative therapies to treat or prevent autoimmune diseases, cancer and infectious diseases, including:

- pharmaceutical companies;

- biotechnology companies;

- academic institutions; and

- research organizations.

Moreover, technology controlled by third parties that may be advantageous to our business may be acquired or licensed by our competitors, thereby preventing us from obtaining that technology on commercially reasonable terms, or at all.

Many of the companies developing competing technologies and products have significantly greater financial resources and expertise in research and development, manufacturing, pre-clinical and clinical testing, obtaining regulatory approvals and marketing than we or our collaborators do. Other smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Academic institutions, government agencies and other public and private research organizations may also conduct research, seek patent protection and establish collaborative arrangements for research and development, manufacturing, pre-clinical and clinical development, obtaining regulatory approval and marketing of products similar to ours. These

companies and institutions compete with us in recruiting and retaining qualified scientific and management personnel as well as in acquiring technologies complementary to our programs. We and our collaborators will face competition with respect to:

- product efficacy and safety;
- the timing and scope of regulatory approvals;
- availability of resources;
- reimbursement coverage;
- product price; and
- patent position.

Competitors may develop more effective or more affordable products, or may achieve earlier patent protection or product commercialization than our collaborators and us. These competitive products may render our products obsolete.

OUR PRODUCTS MAY BE RENDERED OBSOLETE BY RAPIDLY EVOLVING TECHNOLOGY.

We operate in a rapidly evolving field. Any products developed by us or our collaborators will compete with existing and new drugs and vaccines being created by pharmaceutical, biopharmaceutical and biotechnology companies. Other companies may succeed in developing products that are safer, more effective or less costly than any that we may develop. Furthermore, rapid technological development by our present or future competitors may result in our products becoming obsolete before we are able to recover our research, development or commercialization expenses incurred in connection with any of those products.

IF WE ARE UNABLE TO SECURE ADDITIONAL FUNDING, WE WILL HAVE TO REDUCE OR CEASE OPERATIONS.

We require substantial capital resources in order to conduct our operations. Our future capital requirements will depend on many factors, including:

- continued scientific progress in our research and development programs;
- expanding the magnitude and scope of our research and development programs;
- our ability to maintain existing, and establish additional, collaborations and licensing arrangements;
- progress with pre-clinical studies and clinical trials;
- the time and costs involved in obtaining regulatory approvals for our products;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims;
- the potential need to develop, acquire or license new technologies and products; and
- other factors not within our control.

We intend to seek additional funding through collaborations, and also may seek additional funding through:

- public or private equity financings;
- public or private debt financings; and
- capital lease transactions.

However, additional financing may not be available on acceptable terms, if at all. In addition, a substantial number of payments to be made by our collaborators and other licensors depend upon our

achievement of development and regulatory milestones. Failure to achieve these milestones may significantly harm our future capital position. Additional equity financings could result in significant dilution to our stockholders.

If sufficient capital is not available, we may be required to delay, reduce the scope of, eliminate or divest one or more of our research, development, pre-clinical or clinical programs or manufacturing efforts. We believe that our existing capital resources, committed payments under existing collaborations and licensing arrangements, bank credit arrangements, interest income and the proceeds from this offering will be sufficient to fund our current and planned operations over at least the next 24 months. We may attempt to raise additional capital due to market conditions or strategic considerations even if we have sufficient funds for planned operations.

WE RELY PRIMARILY ON THIRD PARTIES TO MANUFACTURE RESEARCH AND CLINICAL PRODUCTS, AND ANY PROBLEMS OR DELAYS COULD RESULT IN LOST REVENUE.

We currently manufacture limited quantities of some allergens, antigens and oligonucleotide formulations. We rely on third party contract manufacturers to produce larger quantities of these substances for clinical trials and product commercialization. Contract manufacturers often encounter difficulties in scaling up production, including problems involving:

- production yields;

- quality control and assurance;

- shortage of qualified personnel;

- compliance with FDA and other regulations;

- production costs;

- development of advanced manufacturing techniques; and

- process controls.

We and these contract manufacturers may not be able to manufacture our products, including our proprietary allergen and antigen vaccines at a cost or in quantities necessary to make them commercially viable. Third party manufacturers also may not be able to meet our needs with respect to timing, quantity or quality. In addition, there are a limited number of appropriate third party manufacturers, and if some of our manufacturers do not perform to our satisfaction, our clinical trials or product commercialization may be delayed while we search for replacement manufacturers. If we are unable to contract for a sufficient supply of required products on acceptable terms, or if we encounter delays or difficulties in our relationships with these manufacturers, our pre-clinical and clinical testing would be delayed, thereby delaying submission of products for regulatory approval, or the market introduction and commercial sale of those products.

BECAUSE WE LACK SALES, MARKETING AND DISTRIBUTION CAPABILITIES, WE MUST DEPEND ON THIRD PARTIES TO SUPPLY US WITH THESE BUSINESS FUNCTIONS.

We currently have no sales, marketing or distribution capabilities. If we receive regulatory approval for our products, we intend to market and sell our products principally through distribution, co-marketing, co-promoting or licensing arrangements with third parties. Our collaborators may not have effective sales forces and distribution systems. If we are unable to maintain or establish these relationships and are required to market any of our products directly, we will need to build a marketing and sales force with technical expertise and with supporting distribution capabilities. We may not be able to maintain or establish these relationships with third parties or build in-house sales and distribution capabilities. To the extent that we depend on our collaborators or third parties for marketing and distribution, our revenues will depend on the efforts of these collaborators or third parties. We can not assure you that these efforts will be successful.

WE USE HAZARDOUS MATERIALS IN OUR BUSINESS. ANY CLAIMS RELATING TO IMPROPER HANDLING, STORAGE OR DISPOSAL OF THESE MATERIALS COULD BE TIME CONSUMING AND COSTLY.

Our research and development involves the controlled use of hazardous and radioactive materials and biological waste. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. We cannot eliminate the risk of accidental contamination or injury from these materials. In the event of an accident, we could be held liable for damages or penalized with fines, and this liability could exceed our resources. We may have to incur significant costs to comply with future environmental laws and regulations.

In addition, we cannot predict the impact of new governmental regulations that might have an adverse effect on the research, development, production and marketing of our products. We may be required to incur significant costs to comply with current or future laws or regulations. Our business may be harmed by the cost of compliance.

WE FACE PRODUCT LIABILITY EXPOSURE AND POTENTIAL UNAVAILABILITY OF INSURANCE.

The use of any of our product candidates in clinical trials and the sale of any approved products will subject us to potential product liability claims, which may cause us to experience losses. We have obtained limited product liability insurance coverage. This coverage may not be adequate or may not continue to be available in sufficient amounts, at an acceptable cost, or at all. We also may not be able to obtain commercially reasonable product liability insurance for any product approved for marketing in the future. A product liability claim, product recalls or other claim, as well as any claims for uninsured liabilities or in excess of insured liabilities, may significantly harm our business.

WE FACE UNCERTAINTY RELATED TO PRICING AND REIMBURSEMENT AND HEALTH CARE REFORM.

In both domestic and foreign markets, sales of our or our collaborators' products will depend in part on the availability of reimbursement from third-party payors such as:

- government health administration authorities;

- private health insurers;

- health maintenance organizations;

- pharmacy benefit management companies; and

- other health care-related organizations.

Both the federal and state governments in the United States and foreign governments continue to propose and pass new legislation designed to contain or reduce the cost of health care. Existing regulations affecting the pricing of pharmaceuticals and other medical products may also change before any of our or our collaborators' products are approved for marketing. Cost control initiatives could decrease the price that we receive for any product we or any of our collaborators may develop in the future. In addition, third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved health care products, including pharmaceuticals. Our or our collaborators' products, if any, may not be considered cost effective. Moreover, adequate third-party reimbursement may not be available to enable us or our collaborators to maintain price levels sufficient to realize a return on our investment.

WE MAY NOT SUCCESSFULLY MANAGE OUR GROWTH OR INTEGRATE POTENTIAL FUTURE ACQUISITIONS.

We have recently experienced, and expect to continue to experience, growth in the number of our employees and the scope of our operating and financial systems. This growth has resulted in an increase in responsibilities for both existing and new management personnel. Our ability to manage

growth effectively will require us to continue to implement and improve our operational, financial and management information systems and to recruit, train, motivate and manage our employees. We may not be able to manage our growth and expansion, and our inability to do so may slow our growth rate or give rise to inefficiencies that would reduce our profits.

In addition, we may acquire additional complementary companies, products or technologies. Managing these acquisitions may in the future entail numerous operational and financial risks and strains, including:

- exposure to unknown liabilities of acquired companies;
- higher than expected acquisition and integration costs that may cause our quarterly and annual operating results to fluctuate;
- combining the operations and personnel of acquired businesses with our own which may be difficult and costly, and integrating or completing the development and application of any acquired technologies which may disrupt our business and divert our management's time and attention;
- impairment of relationships with key customers of acquired businesses due to changes in management and ownership of the acquired businesses;
- inability to retain key employees of any acquired businesses or hire enough qualified personnel to staff any new or expanded operations; and
- increased amortization expenses if an acquisition results in significant goodwill or other intangible assets.

If we do not effectively manage our business or otherwise adapt to anticipated growth, our business and stock price may suffer.

RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE COULD BE VOLATILE AND YOUR INVESTMENT MAY SUFFER A DECLINE IN VALUE.

The market prices for securities of biopharmaceutical companies have in the past been, and are likely to continue in the future to be, very volatile. The market price of our common stock may be subject to substantial volatility depending upon many factors, many of which are beyond our control, including:

- announcements regarding the results of discovery efforts and pre-clinical and clinical activities by us or our competitors;
- developments or disputes concerning proprietary rights;
- progress of regulatory approvals;
- establishment of additional collaborations or licensing arrangements;
- changes in existing collaborations or licensing arrangements;
- technological innovations or new commercial products developed by us or our competitors;
- announcements regarding the acquisition of technologies or companies;
- additions or departures of key personnel;
- operating losses by us;
- changes in our intellectual property portfolio;
- changes in government regulations;
- issuance of new or changed securities analysts' reports or recommendations;

- general economic conditions and other external factors; and

- actual or anticipated fluctuations in our quarterly financial and operating results and degree of trading liquidity in our common stock.

One or more of these factors could significantly harm our business and cause a decline in the price of our common stock in the public market.

AN ACTIVE TRADING MARKET FOR OUR COMMON STOCK MAY NOT DEVELOP AND THE TRADING PRICE OF OUR COMMON STOCK MAY DECLINE BELOW THE INITIAL OFFERING PRICE.

There is currently no public market for our common stock. The initial public offering price of our stock will be determined through negotiations between us and representatives of the underwriters, and may not reflect the price that will prevail in the open market. An active trading market for our common shares may not develop or be sustained following the completion of this offering. Further, you may not be able to resell your shares at or above the initial public offering price.

Securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially acute for us because biopharmaceutical companies have experienced greater than average share price volatility in recent years, and, as a result, are at greater risk of being subject to securities class action claims. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources, and disrupt our business operations.

WE HAVE BROAD DISCRETION IN HOW WE USE THE PROCEEDS OF THIS OFFERING, AND WE MAY NOT USE THE PROCEEDS EFFECTIVELY.

Our management has broad discretion over the use of proceeds of this offering. In addition, our management has not designated a specific use for a substantial portion of the proceeds of this offering. Accordingly, it is possible that our management may allocate the proceeds differently than investors in this offering would have preferred, or that we will fail to maximize our return on the proceeds.

THE SUBSTANTIAL NUMBER OF SHARES THAT WILL BE ELIGIBLE FOR SALE IN THE NEAR FUTURE MAY CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DECLINE, EVEN IF OUR BUSINESS IS DOING WELL.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline and impair our ability to raise capital through the sale of additional equity securities. Our common stock sold in this offering will be eligible for immediate resale in the public market without restrictions. Shares of our common stock held by our existing stockholders may also be sold in the public market in the future pursuant to, and subject to the restrictions contained in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. In addition, we have entered into registration rights agreements with some investors that entitle these investors to have their shares registered for sale in the public market. See "Shares Eligible For Future Sale" for further information concerning potential sales of our shares after this offering.

FOLLOWING OUR REINCORPORATION IN DELAWARE, PROVISIONS OF OUR CERTIFICATE OF INCORPORATION, BYLAWS AND DELAWARE LAW COULD DETER POTENTIAL ACQUISITION BIDS THAT A STOCKHOLDER MAY BELIEVE ARE DESIRABLE, AND THE MARKET PRICE OF OUR COMMON STOCK MAY BE LOWER AS A RESULT.

Following our reincorporation in Delaware, provisions of our certificate of incorporation, bylaws and other existing agreements may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These provisions include:

- authorizing our board of directors to issue additional preferred stock;

- limiting the persons who can call special meetings of stockholders;

- prohibiting stockholder actions by written consent;

- creating a classified board of directors pursuant to which our directors are elected for staggered three-year terms;

- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and

- limiting the ability of stockholders to remove directors without cause.

Provisions of Delaware law may also discourage, delay or prevent someone from acquiring or merging with us. Further, some of our existing contracts may require a notice of assignment or give other parties the right to terminate the contract or take other action that could harm our business as a result of a change of ownership of our company.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. These forward-looking statements include statements about our:

- business strategy;
- anticipated growth in revenue from our collaborations;
- uncertainty regarding our future operating results;
- anticipated sources of funds, including the proceeds from this offering, to fund our operations for the 24 months following the date of this prospectus; and
- plans, objectives, expectations and intentions contained in this prospectus that are not historical facts.

All statements, other than statements of historical facts included in this prospectus, regarding our strategy, future operations, financial position, estimated revenues or losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words "will," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. All forward-looking statements speak only as of the date of this prospectus. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we cannot assure you that we will achieve these plans, intentions or expectations. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors" and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events.

Information regarding market and industry statistics contained in the "Prospectus Summary" and "Business" sections of this prospectus is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources and cannot assure you of the accuracy of the data that we have included.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

USE OF PROCEEDS

We estimate that we will receive net proceeds of $ from the sale of the shares of common stock in this offering, assuming an initial public offering price of $ per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, our net proceeds will be approximately $.

At this time, the principal purposes of this offering are to obtain additional capital and increase our financial flexibility. We presently intend to use the net proceeds of this offering to:

- increase the size of our staff to implement our product research, discovery and development programs as rapidly as possible;
- lease an additional facility to house our larger organization; and
- establish expanded manufacturing capabilities in anticipation of the Phase III trial of AIC.

As of the date of this prospectus, we have not allocated any specific amount of the proceeds for the purposes listed above. The amounts and timing of our actual expenditures will depend upon numerous factors, including the status of our product development and commercialization efforts, technological advances, the amount of proceeds actually raised in this offering and the amount of cash provided by our collaborations. As a result, we cannot specify with certainty the amounts that we may allocate to the particular uses of the net proceeds of this offering. Our management will have significant flexibility and discretion in applying the net proceeds of this offering. Pending any use, we will invest the net proceeds of this offering generally in short-term, investment grade, interest bearing securities but cannot predict that these investments will yield a favorable return.

We may also use a portion of the net proceeds of this offering to invest in or acquire complementary businesses, services or technologies, or to enter into strategic collaborations with third parties. From time to time, in the ordinary course of business, we expect to evaluate potential acquisitions of these businesses, services or technologies and strategic collaborations. At this time, however, we do not have any present understandings, commitments or agreements with respect to any material acquisition.

DIVIDEND POLICY

We have never declared or paid any cash dividends on shares of our common stock. We currently intend to retain any future earnings for future growth and do not anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2000:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all shares of mandatorily redeemable convertible preferred stock outstanding as of September 30, 2000 into 12,646,619 shares of common stock; and
- on a pro forma as adjusted basis to reflect the sale of shares common stock offered by this prospectus at an assumed initial public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table in conjunction with our financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	SEPTEMBER 30, 2000		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)		
Equipment financing, net of current portion	$ 29	$ 29	$ 29
Mandatorily redeemable convertible preferred stock: no par value; 12,989,494 shares authorized, 12,646,619 shares issued and outstanding actual; no shares issued and outstanding pro forma and pro forma as adjusted	49,223	--	--
Stockholders' equity (deficit):			
Preferred stock: $0.001 par value; no shares authorized, issued or outstanding actual; no shares authorized, issued or outstanding pro forma; 6,000,000 shares authorized; no shares issued and outstanding pro forma as adjusted	--	--	--
Common stock: $0.001 par value; 20,000,000 shares authorized; 2,827,429 shares issued and outstanding actual; 20,000,000 shares authorized; 15,474,048 shares issued and outstanding pro forma; 60,000,000 shares authorized; shares issued and outstanding pro forma as adjusted	3	15	
Additional paid-in capital	3,394	52,605	
Deferred stock compensation	(1,985)	(1,985)	(1,985)
Notes receivable from stockholders	(292)	(292)	(292)
Accumulated other comprehensive loss	(53)	(53)	(53)
Deficit accumulated during the development stage	(22,964)	(22,964)	(22,964)
Total stockholders' equity (deficit)	(21,897)	27,326	
Total capitalization	$ 27,355	$ 27,355	$

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The above information excludes:

- 171,396 shares of common stock issuable upon the exercise of options outstanding as of September 30, 2000 at a weighted average exercise price of $0.47 per share;
- 3,000,000 shares of common stock reserved for issuance under our 2000 stock incentive plan and the 2000 non-employee director option program, which will become effective upon the effectiveness of this offering;
- 900,000 shares of common stock available for issuance under our 2000 employee stock purchase plan, which will become effective upon the effectiveness of this offering; and
- 10,285 shares of common stock issuable upon the exercise of warrants outstanding as of September 30, 2000 at a weighted average exercise price of $2.19 per share.

DILUTION

Our net tangible book value as of September 30, 2000 was approximately $27.3 million, or approximately $1.77 per share of common stock on a pro forma basis. Pro forma net tangible book value per share represents total tangible assets less total liabilities, divided by the pro forma number of shares of common stock outstanding, assuming the conversion of all shares of preferred stock outstanding as of September 30, 2000 into common stock.

Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the pro forma net tangible book value per share of our common stock immediately after the offering. After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of September 30, 2000 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to purchasers of common stock in this offering. The table below illustrates this dilution:

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share as of September 30, 2000.....	$1.77	
Increase per share attributable to new investors.....		
Pro forma net tangible book value per share after the offering.....		
Dilution per share to new investors.....		$

The following table sets forth on a pro forma basis as of September 30, 2000, the total number of shares of common stock purchased from us, the total consideration paid for these shares and the average price per share paid by our existing stockholders and by new investors, before deducting underwriting discounts and commissions and estimated offering expenses payable by us at an assumed initial public offering price of per share.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders...	15,474,048		$50,006,000		$ 3.23
New investors.....					
Total.....		100%	$	100%	

This table assumes that no options or warrants were exercised after September 30, 2000. As of September 30, 2000, there were outstanding options to purchase a total of 171,396 shares of common stock at a weighted average exercise price of approximately $0.47 per share and 10,285 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $2.19 per share.

SELECTED FINANCIAL DATA

You should read the following selected financial data in conjunction with our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The statement of operations data for the years ended December 31, 1997, 1998 and 1999 and for the nine months ended September 30, 2000, and the balance sheet data as of December 31, 1998 and 1999 and September 30, 2000, are derived from the audited financial statements that are included elsewhere in this prospectus. The statement of operations data for the period from August 29, 1996 (date of inception) to December 30, 1996, and the balance sheet data as of December 31, 1996 and 1997 are derived from our audited financial statements not included in this prospectus. The statement of operations data for the nine months ended September 30, 1999 are derived from our unaudited financial statements included elsewhere in this prospectus. In the opinion of management, the unaudited financial statements include all adjustments, consisting principally of normal recurring adjustments, necessary for a fair presentation of our results of operations for this period. Historical results are not necessarily indicative of the results of operations to be expected for future periods and the results of interim periods are not necessarily indicative of the results for a full year. See Note 2 of Notes to Financial Statements for a description of the method that we used to compute our historical and pro forma basic and diluted net loss per share attributable to common stockholders.

	PERIOD FROM AUGUST 29, 1996 (DATE OF INCEPTION) TO DECEMBER 31,	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1998	1999	1999	2000
					(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
STATEMENT OF OPERATIONS DATA:						
Collaboration and other revenue	$ --	$ --	$ --	$ 450	$ 155	$ 1,493
Operating expenses:						
Research and development*	65	2,939	5,978	6,049	4,455	5,655
General and administrative*	157	807	1,116	1,396	1,010	2,421
Total operating expenses	222	3,746	7,094	7,445	5,465	8,076
Loss from operations	(222)	(3,746)	(7,094)	(6,995)	(5,310)	(6,583)
Interest income, net	16	241	316	436	325	667
Net loss	(206)	(3,505)	(6,778)	(6,559)	(4,985)	(5,916)
Deemed dividend related to beneficial conversion feature of preferred stock	--	--	--	--	--	(16,033)
Net loss attributable to common stockholders	$ (206)	$(3,505)	$(6,778)	$(6,559)	$(4,985)	$(21,949)
Net loss per share attributable to common stockholders, basic and diluted	$(1.89)	$ (5.29)	$ (6.64)	$ (4.50)	$ (3.56)	$ (11.21)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	109	663	1,021	1,457	1,400	1,958
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)				$ (0.63)		$ (0.46)
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)				10,458		12,966

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* Includes non-cash charges for stock compensation expense as follows (in thousands):

	YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1999	2000
		(UNAUDITED)	
Research and development	$ 94	$ 10	$ 194
General and administrative	52	3	401
	$ 146	$ 13	$ 595

	DECEMBER 31,				SEPTEMBER 30,
	1996	1997	1998	1999	2000
BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities	$ 6,574	$ 3,242	$ 13,244	$ 8,479	$ 27,660
Working capital	6,446	2,794	12,212	6,634	26,511
Total assets	6,594	3,814	14,329	9,622	29,037
Equipment financing, net of current portion	--	333	328	167	29
Mandatorily redeemable convertible preferred stock	6,654	6,654	23,124	24,079	49,223
Total stockholders' deficit	(188)	(3,691)	(10,467)	(16,820)	(21,897)

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

THE FOLLOWING DISCUSSION OF OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE RELATED NOTES APPEARING ELSEWHERE IN THIS PROSPECTUS. THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL PERFORMANCE. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF SOME FACTORS, SUCH AS THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

Since our incorporation in December 1996, we have been focused on discovering, developing and commercializing innovative products to treat and prevent allergies, infectious diseases, cancer and chronic inflammatory diseases. Our development efforts are based on two proprietary and versatile approaches aimed at altering the immune system response in highly specific ways. Our primary research focus is on immunostimulatory sequences, or ISS, which are short DNA sequences that enhance the ability of the immune system to fight disease and control chronic inflammation. In a separate program, we are also developing orally available small molecules in the thiazolopyrimidine, or TZP, class. TZPs inhibit the production of cytokines, such as tumor necrosis factor alpha, or TNF-alpha, and interleukin-12, or IL-12, that cause inflammation and disease.

We have incurred significant losses since our inception. As of September 30, 2000, we had an accumulated deficit of $23.0 million. We expect to commit substantial financial resources to expand our lead clinical programs, to advance our pre-clinical development programs and to continue to support our discovery programs. It is likely that our lead clinical and pre-clinical programs will require investments that increase our current rate of expenditures. If we were to receive regulatory approval for any of our clinical programs, we would be required to invest significant capital to develop or otherwise secure commercial scale manufacturing, marketing and sales capabilities. These initial investments are likely to result in increased operating losses or margins that are relatively low for several quarters or years until product sales grow sufficiently to support the organization.

We operate in one business segment and are in the development stage at September 30, 2000.

REVENUE RECOGNITION

We recognize collaboration and other revenue based on the terms specified in the agreements using the percentage of completion method, generally approximating the straight line basis over the period of the collaboration or as work is performed. Any amounts received in advance of performance are recorded as deferred revenue. All revenue recognized to date under our collaborations is nonrefundable. In accordance with our business strategy, in the future we expect revenue to be generated from the sale of products. We generally expect to recognize revenue upon product shipment.

STOCK-BASED COMPENSATION

In connection with the grant of stock options to employees and non-employees, we recorded deferred stock compensation as a component of stockholders' equity (deficit). Deferred stock compensation for options granted to employees is the difference between the estimated fair value of our common stock on the date the options were granted and their exercise price. For stock options granted to non-employees, the fair value of the options, estimated using the Black-Scholes valuation model, is initially recorded on the date of grant. As non-employee options become exercisable, we remeasure the remaining unvested options, with any change in the estimated fair value from period to period recorded as a change in deferred stock compensation. Deferred stock compensation is amortized as a charge to operations over the vesting periods of the options. We recorded stock compensation expense of $146,000 for the year ended December 31, 1999 and $595,000 for the nine months ended September 30, 2000. We expect to record future stock compensation expense as follows: $174,000

during the fourth quarter of 2000, $666,000 during 2001, $637,000 during 2002, $443,000 during 2003, $56,000 during 2004 and $9,000 during 2005. The amount of stock compensation expense to be recorded in future periods may decrease if unvested options, for which deferred stock compensation has been recorded, are subsequently canceled.

In addition, in October and November of 2000, we granted options to purchase a total of 870,300 shares of common stock to our employees. The total deferred stock compensation related to these option grants amounts to $7,257,000 and will be amortized to expense over the vesting period, which is generally four years.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

REVENUE: Our revenue for the nine months ended September 30, 2000 was $1.5 million as compared to $155,000 for the same period in 1999. Revenue for the nine months ended September 30, 2000 resulted from two research and development collaborations commencing during 2000. One of these collaborations provided revenue of $1.0 million and focuses on the development of a vaccine against HIV. The other collaboration provided revenue of $500,000 and focuses on research for vaccines against hepatitis B. No revenue was generated through these collaborations during 1999. The revenue generated during 1999 resulted from two agreements that provided customers access to technology developed by us.

RESEARCH AND DEVELOPMENT EXPENSES: Research and development expense consists primarily of compensation and related benefits, facility costs, supplies and depreciation of laboratory equipment. Research and development expenses increased by 27% to $5.7 million for the nine months ended September 30, 2000 as compared to $4.5 million for the same period in 1999. The increase in expenses for the nine months ended September 30, 2000 was due primarily to costs of $1.5 million related to research and development expenses required to support collaborative research efforts. We expect that our two research and development collaborations will continue, perhaps at slightly higher expense rates, in the future. Non-cash stock compensation expense was $194,000 and $10,000 for the nine months ended September 30, 2000 and 1999, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expense consists primarily of compensation and related benefits, facility costs and professional expenses, such as legal, accounting, investor and public relations and general corporate consulting. General and administrative expense increased by 140% to $2.4 million for the nine months ended September 30, 2000 compared to $1.0 million for the same period in 1999. This increase reflects increased compensation and benefits expenses of $455,000 associated with the addition of key members of our management team and associated recruiting costs. Additionally, the increase reflects increased professional fees of $330,000. We expect that our general and administrative expenses will increase in the future as we expand our staff and add infrastructure to support the additional activities related to being a public company. Non-cash stock compensation expense was $401,000 and $3,000 for the nine months ended September 30, 2000 and 1999, respectively.

INTEREST INCOME, NET: Interest income, net, increased by 105% to $667,000 for the nine months ended September 30, 2000 as compared to $325,000 for the same period in 1999. This increase was primarily due to interest generated from higher average cash balances resulting from the sale of 3,542,187 shares of preferred stock during the nine months ended September 20, 2000, yielding net cash proceeds of approximately $25.4 million.

INCOME TAXES: We have incurred net operating losses since our inception and, consequently, we have not paid any federal or state income taxes. As of September 30, 2000, we had federal net operating loss carryforwards of approximately $10.0 million. We also had federal research and development tax credit carryforwards of approximately $962,000. If not utilized, the net operating losses and tax credit carryforwards will expire at various dates beginning in 2001 and continuing through 2020.

We have provided a full valuation allowance for our deferred tax assets at September 30, 2000 due to the uncertainty surrounding the future realization of these assets. Utilization of the net operating loss and tax credit carryforwards may be subject to a substantial annual limitations due to the change in ownership provisions of the Internal Revenue Code of 1986, as amended, and similar state provisions.

BENEFICIAL CONVERSION FEATURE. In May, 2000, we issued 2,953,554 shares of Series C mandatorily redeemable convertible preferred stock for net cash proceeds of approximately $20.5 million. After evaluating the estimated fair value of our common stock in contemplation of this offering, we determined that the issuance of the Series C mandatorily redeemable convertible preferred stock resulted in a beneficial conversion feature calculated in accordance with Emerging Issues Task Force Consensus No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features." The beneficial conversion feature was reflected as a non-cash deemed dividend of $16.0 million in our financial statements for the nine months ended September 30, 2000. Additionally, we issued 285,714 shares of Series C mandatorily redeemable convertible preferred stock in October 2000 for net cash proceeds of approximately $2.0 million. The beneficial conversion feature of $2.0 million relating to this issuance will be reflected as a non-cash deemed dividend in our financial statements in the fourth quarter of 2000.

YEARS ENDED DECEMBER 31, 1999 AND 1998

REVENUE: We first recorded revenue in 1999. Revenue during the year ended December 31, 1999 resulted from two agreements that provided customers access to technology developed by us.

RESEARCH AND DEVELOPMENT EXPENSES: Research and development expenses were $6.0 million for each of the years ended December 31, 1999 and 1998. Non-cash stock compensation expense was $94,000 for the year ended December 31, 1999. There was no non-cash stock compensation expense for the year ended December 31, 1998.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 25% to $1.4 million during the year ended December 31, 1999, as compared to $1.1 million during the year ended December 31, 1998. The increase consisted primarily of growth in our administrative staff and costs of relocating our operations to Berkeley from San Diego. Non-cash stock compensation expense was $52,000 for the year ended December 31, 1999. There was no non-cash stock compensation expense for the year ended December 31, 1998.

INTEREST INCOME, NET: Interest income, net, increased by 38% to $436,000 during the year ended December 31, 1999 as compared to $316,000 for the year ended December 31, 1998. This increase was primarily due to the interest generated from higher average cash balances resulting from the sale of 5,161,584 shares of preferred stock during 1998, yielding net cash proceeds of approximately $16.5 million. This was partially offset by an increase of $40,000 in interest expenses incurred in connection with a master equipment financing arrangement entered into during 1997.

YEARS ENDED DECEMBER 31, 1998 AND 1997

REVENUE: We did not record revenue in the years ended December 31, 1998 and December 31, 1997.

RESEARCH AND DEVELOPMENT EXPENSES: Research and development expenses increased by 103% to $6.0 million during the year ended 1998 as compared to $2.9 million during the year ended 1997. The increase of $3.0 million resulted from the growth of our research and development staff, advancement of our lead programs into pre-clinical development, and leasing our principal facility in Berkeley, California.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 38% to $1.1 million during the year ended 1998 as compared to $807,000 during the year ended 1997. The

$309,000 increase from 1997 to 1998 was primarily the result of establishing principal offices in Berkeley and closing our facilities in San Diego.

INTEREST INCOME, NET: Interest income, net, increased by 31% to $316,000 during the year ended 1998 as compared to $241,000 during the year ended 1997. This increase was primarily due to the interest generated from higher average cash balances resulting from the sale of 5,161,584 shares of preferred stock during 1998, yielding net cash proceeds of approximately $16.5 million. The higher interest income was partially offset by an increase of $82,000 in interest expense incurred in connection with a master equipment financing arrangement first entered into during 1997.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations from inception primarily through sales of shares of mandatorily redeemable convertible preferred stock, which have yielded a total of $49.5 million in net cash proceeds and, to a lesser extent, through amounts received under our collaboration agreements and equipment financing arrangements. As of September 30, 2000, we had $27.7 million in cash equivalents and marketable securities. Our funds are currently invested in highly liquid, investment-grade corporate obligations. At September 30, 2000, we have $207,000 outstanding under our master equipment financing agreement, which bears interest at an effective rate of 15% per year.

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND SEPTEMBER 30, 1999

Our operating activities used cash of $5.8 million for the nine months ended September 30, 2000, compared to $5.2 million for the nine months ended September 30, 1999. Cash used in the nine months ended September 30, 2000 consisted primarily of our net loss of $5.9 million. Cash used in the nine months ended September 30, 1999 consisted primarily of our net loss of $5.0 million.

Our investing activities used cash of $14.7 million for the nine months ended September 30, 2000, compared to cash provided of $359,000 for the nine months ended September 30, 1999. Cash used in the nine months ended September 30, 2000 consisted primarily of an investment of $16.2 million in marketable securities. Cash provided in the nine months ended September 30, 1999 consisted primarily of $517,000 in proceeds from marketable securities, partially offset by an investment of $158,000 in property and equipment.

Our financing activities provided cash of $25.3 million for the nine months ended September 30, 2000, compared to cash used of $95,000 for the nine months ended September 30, 1999. Cash provided in the nine months ended September 30, 2000 consisted primarily of $25.4 million in proceeds from issuance of mandatorily redeemable convertible preferred stock, slightly reduced by $121,000 in repayments of equipment financing. Cash used in the nine months ended September 30, 1999 consisted primarily of $103,000 in repayments of equipment financing.

YEARS ENDED DECEMBER 31, 1999 AND 1998

Our operating activities used cash of $5.4 million in the year ended December 31, 1999, compared to $5.8 million in the year ended December 31, 1998. Cash used in operations during 1999 consisted primarily of our net loss of $6.6 million, partially reduced by an $1.1 million increase in deferred revenue. Cash used in operations during 1998 consisted primarily of our $6.8 million net loss, partially offset by a $775,000 increase in accounts payable.

Our investing activities provided cash of $4.9 million for year ended December 31, 1999 compared to cash used of $7.7 million for the year ended December 31, 1998. Cash provided in 1999 consisted primarily of $5.2 million in net proceeds from marketable securities. Cash used in 1998 consisted primarily of an investment of $7.0 million in marketable securities and an investment of $749,000 in property and equipment.

Our financing activities provided cash of $872,000 during the year ended December 31, 1999 compared to $16.5 million for the year ended December 31, 1998. Cash provided in 1999 consisted

primarily of $955,000 in net proceeds from the issuance of mandatorily redeemable convertible preferred stock. Cash provided in 1998 consisted primarily of $16.5 million in net proceeds from the issuance of preferred stock.

Under our research agreement with the Regents of the University of California, at September 30, 2000, we may fund future research activities through 2003 in the amount of approximately $3.0 million.

We believe our existing cash and investments, together with the estimated net proceeds of this offering, will be sufficient to meet our anticipated cash requirements for at least the next 24 months. Our future capital uses and requirements depend on numerous forward-looking factors.

For the next several years, we do not expect our operations to generate the amounts of cash required for our future cash needs. In order to fulfill our cash requirements, we expect to finance future cash needs through the sale of equity securities, strategic collaborations and perhaps debt financing. We cannot assure you that additional financing or collaboration and licensing arrangements will be available when needed or that, if available, will be on terms favorable to our stockholders or us. Insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs, to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern. If additional funds are obtained by issuing equity securities, substantial dilution to existing stockholders may result.

RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities. SFAS No. 133 requires that all derivative instruments be recognized at fair value in the statement of financial position, and that the corresponding gains and losses be reported either in the statement of operations or as a component of comprehensive income (loss), depending on the type of relationship that exists. We have not engaged in significant hedging activities or invested in derivative instruments. We will adopt SFAS No. 133 in fiscal year 2001 and we do not expect adoption to have a material impact on our financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and investments in a variety of securities, including commercial paper, money market funds, government and non-government debt securities and corporate obligations. Because of the short-term maturities of our cash equivalents and marketable securities, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments.

OVERVIEW

We are a biopharmaceutical company focused on discovering, developing and commercializing innovative products to treat and prevent allergies, infectious diseases, cancer and chronic inflammatory diseases. Our development efforts are based on two proprietary and versatile approaches aimed at altering the immune system response in highly specific ways. Our first approach and primary research focus is on immunostimulatory sequences, or ISS which are short DNA sequences that enhance the ability of the immune system to fight disease and control chronic inflammation. Our lead ISS-based product candidate, AIC, is an anti-ragweed allergy product that is currently in Phase II human clinical testing to measure safety and dosing for the treatment of ragweed-allergy. Our second approach focuses on the development of orally available small molecules in the thiazolopyrimidine, or TZP, class. TZPs inhibit the production of chemical signals, or cytokines, such as tumor necrosis factor alpha, or TNF-alpha, and interleukin-12, or IL-12. We believe our TZP molecules will be useful in treating inflammatory diseases, such as rheumatoid arthritis and Crohn's disease, characterized by an elevated production of these cytokines that cause inflammation.

BACKGROUND

THE IMMUNE SYSTEM

The immune system is the body's natural defense mechanism against infectious pathogens such as bacteria, viruses and parasites. The immune system also plays an important role in identifying and eliminating abnormal cells such as cancer cells. Each specific type of pathogen or abnormal cell typically carries one or more unique signature molecules on its surface called antigens. The immune system detects these antigens and initiates a series of steps to eliminate the pathogen or abnormal cell through two distinct pathways (see Figure 1). These pathways are distinguished primarily by the two types of helper T cells involved, Th1 cells and Th2 cells. Th1 cells are activated as a result of viral or bacterial infection or cancer. Th2 cells are activated in response to parasitic infections. The steps associated with the Th1 pathway, depicted in Figure 1, are as follows:

ANTIGEN RECOGNITION. The immune response begins with specialized white blood cells, or presenting cells, that conduct continuous surveillance. When these presenting cells identify an antigen, they process and present it to the Th1 cells. Some bacterial infections cause the release of a cytokine known as tumor necrosis factor alpha, or TNF-alpha, which helps control the infection through non-specific responses such as fever and inflammation.

ACTIVATION OF TH1 CELLS. The Th1 cells, upon recognition of presented antigens through specific receptors and stimulation by IL-12, multiply and produce cytokines such as interferon gamma. Interferon gamma plays an important role in the Th1 pathway and inhibits the Th2 pathway.

ACTIVATION OF KILLER T CELLS AND B CELLS. Killer T cells and B cells are types of white blood cells. Interferon gamma activates pathogen-specific killer T cells that are capable of recognizing infected cells and killing them. It also activates B cells to make a pathogen-specific type of antibody, known as IgG.

PATHOGEN ELIMINATION. Killer T cells recognize and kill virus or bacteria-infected cells and cancer cells and can lead to complete elimination of those cells. IgG antibodies bind specifically to viruses or bacteria and neutralize their ability to infect new cells. By a similar mechanism, the Th1 response can recognize and eliminate cancer cells.

ESTABLISHMENT OF IMMUNOLOGIC MEMORY. Once a population of pathogen-specific Th1 cells is produced, it persists for a long period of time, even if the pathogen target is eliminated. If another infection by the same pathogen occurs, the immune system is able to react more quickly and powerfully to the infection because the pathogen-specific Th1 cells can reproduce immediately.

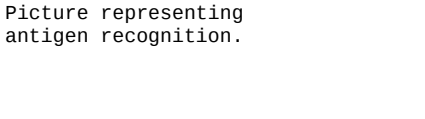
In the absence of a Th1 immune response, the immune system naturally defaults to the Th2 pathway, which operates in a similar way to the Th1 pathway with some important differences, as depicted in Figure 1. Once Th2 cells are activated, they release cytokines such as interleukin-4, or IL-4, and interleukin-5, or IL-5. IL-4 stimulates the B cells to produce a type of antibody known as IgE. These IgE antibodies identify and bind to a pathogen and activate special immune cells that are capable of destroying the parasite. At the same time, they cause inflammation, swelling and damage in the surrounding normal tissues. IL-4 and IL-5 also attract other inflammatory cells to the site to aid in the elimination process.

FIGURE 1 -- OVERVIEW OF THE IMMUNE RESPONSE:

T HELPER CELL TYPE 1 PATHWAY

1 ANTIGEN RECOGNITION

The immune response process begins with specialized white blood cells, called presenting cells, that conduct continuous surveillance. When these presenting cells identify an antigen associated with viruses, bacteria or cancer cells, they process the antigen and physically present it to a class of activated T helper cells type 1, or Th1 cells. Presenting cells also produce cytokine signals, such as IL-12, that guide the immune response in the Th1 pathway.



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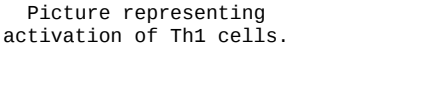
2 ACTIVATION OF TH1 CELLS

Th1 cells, upon recognition of presented antigen and stimulation by IL-12, multiply and produce another cytokine, interferon gamma. Interferon gamma is essential for the Th1 pathway and also inhibits the Th2 pathway.



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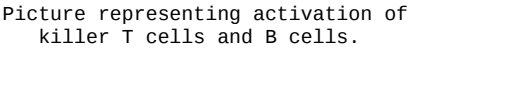
3 ACTIVATION OF KILLER T CELLS AND B CELLS

Two types of cells, known as killer T cells and B cells, respond to interferon gamma. Killer T cells are capable of recognizing infected cells and cancer cells. B cells produce a type of antibody, known as IgG, that helps to eliminate viruses, bacteria, and cancer cells. Antibodies are molecules that can identify and bind to the antigen associated with the infectious pathogen.



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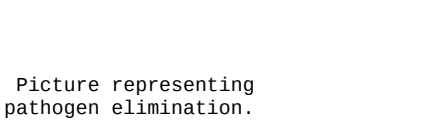
4. PATHOGEN ELIMINATION

Killer T cells recognize and kill virus or bacteria-infected cells or cancer cells in a pathogen-specific manner. Their activity can lead to the complete elimination of the infected cells or cancer cells. Once attached to the infectious pathogen, the IgG antibody can block its ability to infect and attract other components of the immune system to aid in its destruction.



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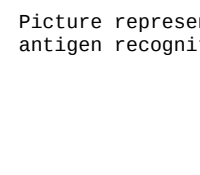
* Th1 cells form a population of specialized Th1 cells called memory cells. These cells are programmed to expand and respond at each subsequent encounter with the pathogen.

** Some bacterial infections activate a separate defense mechanism involving TNF-alpha synthesis and lead to inflammation.

T HELPER CELL TYPE 2 PATHWAY

1 ANTIGEN RECOGNITION



Picture representing antigen recognition.

As with the Th1 pathway, the immune response process begins when presenting cells identify an antigen, process the antigen and physically present it. In this pathway, the activated T helper cells are type 2, or Th2 cells. Presenting cells also produce undefined cytokines that activate Th2 cells.

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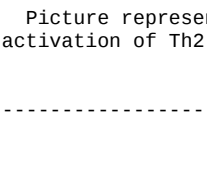
2 ACTIVATION OF TH2 CELLS



Picture representing activation of Th2 cells.

Th2 cells, upon recognition of the presented antigen and stimulation by undefined cytokines, produce the cytokines IL-4 and IL-5.

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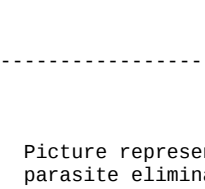
3 ACTIVATION OF B CELLS AND INFLAMMATORY CELLS



Picture representing activation of B cells and inflammatory cells.

IL-4 produced by Th2 cells induces B cells to make parasite-specific IgE antibodies. IL-4 and IL-5 produced by the Th2 cells cause activation and recruitment of inflammatory cells.

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4 PARASITE ELIMINATION

Picture representing parasite elimination.

Parasite-specific IgE antibodies attach to and activate inflammatory cells, enabling them to recognize parasites. Upon association with parasite bound IgE, inflammatory cells lyse, or disintegrate, and release a variety of chemicals. These inflammatory chemicals kill the parasite and also damage normal tissues. Th2 responses inappropriately stimulated by harmless environmental substances (such as pollens) can lead to diseases such as allergy and asthma.

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*Th2 cells, like Th1 cells, generate a population of memory Th2 cells.

The following table summarizes some of the major characteristics of Th1 and Th2 immune responses.

	TH1 IMMUNE RESPONSE	TH2 IMMUNE RESPONSE
NATURAL IMMUNE SYSTEM MODE	Fight bacterial infections Fight viral infections Fight tumor growth	Default immune response Fight parasitic infections
PREDOMINANT CYTOKINES	Interferon gamma Interleukin-12 (IL-12) Tumor Necrosis Factor Alpha (TNF-alpha)	Interleukin-4 (IL-4) Interleukin-5 (IL-5)
CHARACTERISTIC ANTIBODIES	Immunoglobulin G (IgG)	Immunoglobulin E (IgE)

THE IMMUNE SYSTEM AND DISEASE

A properly active immune response is critical to the body's ability to control foreign pathogens and the replication of abnormal cells such as cancer cells. The immune system, however, does not always function properly and can malfunction in different ways, including producing insufficient and inappropriate responses.

INSUFFICIENT IMMUNE RESPONSE. When the immune system does not respond strongly enough to a foreign pathogen, such as a virus, the virus can establish itself in the body and cause disease. Hepatitis B and HIV are examples of viruses that can lead to a chronic infection where the immune system cannot mount an aggressive enough defense to eradicate the virus. Tuberculosis is another example of a chronic disease resulting from an insufficient response of the immune system. These chronic viral and bacterial diseases are associated with an insufficient Th1 response.

INAPPROPRIATE IMMUNE RESPONSE. Inappropriate Th2 activation is linked to several diseases, including allergies and some inflammatory diseases such as asthma. Allergies are caused by the immune system reacting moderately or aggressively to an otherwise harmless foreign molecule when it enters the body. These molecules, called allergens, are present in several plant pollens and microorganisms such as dust mites. These allergens present no danger for most people because they do not interfere with or modify the body's normal processes. People who suffer from allergies, however, mount Th2 immune responses when their immune systems recognize the relevant allergens. Ragweed allergy is a common example of a condition whereby a Th2 response to ragweed pollen leads to the production of histamines and other inflammatory chemicals. The resulting symptoms of a runny nose and eye irritation are well recognized. Other inflammatory diseases, such as asthma, are the result of chronic exposure to multiple allergens and the ensuing long term Th2 inflammatory response.

Inappropriate Th1 activation may cause, in rare cases, the generation of Th1 type responses directed against the body's own tissues, resulting in illnesses known as autoimmune disorders. Examples of Th1 mediated autoimmune disorders include lupus and multiple sclerosis.

OTHER IMMUNE-RELATED DISORDERS. A number of chronic inflammatory diseases do not have a well-identified cause but are thought to be linked to inappropriate Th1 or Th2 activation. In many cases, the most serious symptoms of the disease are associated with the overproduction of certain cytokines. Excessive levels of cytokines such as TNF-alpha and IL-12 are present in diseases such as rheumatoid arthritis, Crohn's disease and possibly congestive heart failure. A reduction in the levels of these cytokines produces dramatic improvements in the severity of the disease. Similarly, idiopathic pulmonary fibrosis and ulcerative colitis are associated with high levels of IL-4 and other cytokines. Studies have shown that suppression of these cytokines reduces the severity of the disease.

The following table provides examples of Th1 and Th2 related diseases.

	TH1 RELATED DISEASES	TH2 RELATED DISEASES
DISEASES CAUSED BY INSUFFICIENT IMMUNE RESPONSE	Chronic viral infections Chronic bacterial infections	None identified
DISEASES CAUSED BY INAPPROPRIATE IMMUNE RESPONSE	Lupus Multiple sclerosis	Allergies Asthma
DISEASES CAUSED BY OTHER IMMUNE-RELATED DISORDERS	Rheumatoid arthritis Crohn's disease	Idiopathic pulmonary fibrosis Ulcerative colitis

CURRENT THERAPIES

Most current therapies for these diseases share one or more limitations.

- SYMPTOMATIC RELIEF ONLY: By blocking one of many steps that lead to the disease, current therapies ameliorate symptoms but do not affect the actual cause of the disease. For example, allergy treatments such as antihistamines block chemicals that directly cause disease symptoms such as runny nose and eye irritation. Once antihistamine therapy stops, the symptoms return.

- SHORT DURATION: The therapeutic effect of these therapies is short lived, and continuous administration is required to maintain control of symptoms. For example, antiviral drugs, which treat chronic infections caused by viruses, such as hepatitis B and HIV, work by preventing the replication of the virus. By themselves, these drugs do not eradicate the virus from the body. Virus replication typically resumes once drug treatment stops.

- BROAD IMMUNOSUPPRESSION: Some drugs act by producing broad immunosuppression, which enhances the risk of infection and cancer, rather than acting on the specific cause of the disease. For example, steroids are used to suppress undesired Th2 responses in diseases such as asthma but they indiscriminately suppress all T cell responses.

- INCONVENIENT DOSING: TNF-alpha blockers such as ENBREL-Registered Trademark- and REMICADE-Registered Trademark- treat rheumatoid arthritis and Crohn's disease by blocking the activity of TNF-alpha rather than eliminating its inappropriate production. As a consequence, they must be injected or infused frequently and in large amounts to achieve their therapeutic benefit.

Interventions that use allergens or antigens to generate or alter immune responses are called immunotherapy and have the potential to alter the causes of diseases for significant time periods. While currently available methods of allergy immunotherapy can be effective, they require cumbersome treatment regimens and carry the potential for significant adverse effects. Immunotherapy for infectious diseases, however, has had only limited therapeutic success to date.

DYNAVAX APPROACHES FOR REPROGRAMMING THE IMMUNE RESPONSE

Our development efforts are based on two separate approaches for altering immune system responses that have applications in the treatment or prevention of a large number of major diseases. These technologies are yielding product candidates that have the ability to change both insufficient and inappropriate immune responses associated with disease -- effects that we call reprogramming.

The first approach is based on a technology platform centered on short DNA sequences that can stimulate a beneficial Th1 immune response while suppressing harmful Th2 immune responses. We

refer to these DNA sequences as immunostimulatory sequences, or ISS. We have shown that ISS can enhance the Th1 response and can suppress inappropriate and excessive Th2 responses. Pre-clinical experiments have shown that Th1 enhancement helps in controlling viral and bacterial infections and potentially cancer and Th2 suppression can control diseases such as allergies and asthma. We believe ISS have the following significant advantages over current therapies.

- ISS work by reprogramming the immune responses that cause the disease rather than just treating the symptoms of the disease.

- ISS influence helper T cell responses in a very targeted way by only reprogramming those T cells involved in the disease chain and not affecting the rest of the immune system. In particular, they do not alter the ability of the immune system to mount an appropriate response to infecting pathogens.

- As a result of their mechanism of action, ISS establish immunologic memory, which means the immune system will be trained to respond appropriately to each future encounter with a specific pathogen or allergen, leading to long lasting therapeutic effects.

Our second approach involves developing drugs based on a class of chemical compounds termed thiazolopyrimidines, or TZPs. These drugs may be useful for a range of chronic inflammatory diseases that require some level of immune suppression in contrast to ISS that predominantly act by enhancing the Th1 response. In this way, TZPs are complementary to the ISS platform.

We have shown that some TZPs, which can be administered orally, are active in inhibiting inflammatory processes caused by Th1 cytokines. We are currently developing TZPs that inhibit the production of TNF-alpha and IL-12 that might be useful in treating inflammatory diseases characterized by an elevated production of these cytokines, including rheumatoid arthritis and Crohn's disease. We believe that TZPs may have the following significant advantages over current therapies:

- they can be administered orally;

- they have a novel method of action in that they inhibit the production of cytokines rather than blocking their activity, once produced. This allows the use of more convenient regimens and more precise control of the levels of cytokines to be inhibited; and

- product candidates within the TZP class can inhibit multiple cytokines involved in chronic inflammation. This may make them more effective than standard treatments and applicable to a wider range of indications.

OUR ISS PLATFORM

ISS were first discovered through experiments in which pieces of bacterial DNA were injected into mice. These experiments demonstrated that bacterial DNA sequences promoted a Th1 immune response, suggesting that the recognition of microbial DNA is part of the immune defense mechanism. Our ISS are short synthetic DNA sequences that trigger potent and highly specific biological responses in multiple parts of the immune system. We have shown that they are active across a range of species, including primates. Initial data from laboratory studies and clinical trials indicate that we can achieve similar results in humans, however, additional clinical trials will be necessary to demonstrate the clinical efficacy of ISS.

As depicted in Figure 2, ISS affect the immune system in direct and indirect ways.

- ENHANCED ANTIGEN PRESENTATION. ISS act on the presenting cells, enhancing their ability to present antigens to T cells and stimulate the production of Th1-promoting triggers such as IL-12.

- TH1 CELL FORMATION. Th1 promoting triggers such as IL-12 and other cytokines stimulate the formation of Th1 cells and the production of interferon gamma.

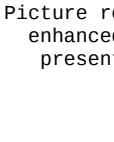
- INHIBITION OF TH2 RESPONSE. ISS also act directly on Th2 cells to reduce IL-4 and IL-5 responses. Interferon gamma, produced in large amounts by Th1 cells, also suppresses the Th2 pathway.

- IMMUNOLOGIC MEMORY. The reprogrammed Th1 and Th2 cells establish immunologic memory, providing long-lasting biological effects.

In the absence of a specific antigen or allergen, the direct effects of ISS on presenting cell activation and Th2 inhibition are temporary and completely reversible. As such, they do not present a significant safety risk in that they do not impact the immune system's ability to function normally. Long-term reprogramming of T cells and the establishment of immunologic memory are only directed to those T cells involved in the disease process and do not affect other memory T cells involved in the protective response against other pathogens.

FIGURE 2 -- HOW ISS WORK:

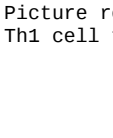
ENHANCED ANTIGEN PRESENTATION

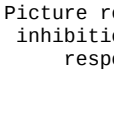


ISS used with antigen or allergen activate presenting cells to produce IL-12 and other cytokines that direct an antigen or allergen specific Th1 response.

TH1 CELL FORMATION

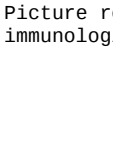
ISS, under certain conditions, can also act directly on the presenting cells to induce the release of IL-12 and other cytokines that direct the immune response to the Th1 pathway. The result is an increased release of interferon gamma by the Th1 cells.





IMMUNOLOGIC MEMORY

Out of the pool of Th1 cells that are generated, a subset of specific Th1 cells becomes the repository of immunologic memory. Subsequent exposure to the same antigen will trigger the Th1 cells to work immediately to produce interferon gamma, which keeps the Th2 response in check.



INHIBITION OF TH2 RESPONSE

ISS act directly on Th2 cells to reduce the amount of IL-4 and IL-5 produced. This inhibits the Th2 response before inflammation occurs. The release of interferon gamma as part of the Th1 response also helps inhibit the Th2 response.

MULTIPLE USES OF OUR ISS PLATFORM

We have developed a number of configurations for the use of our ISS technology, creating an opportunity to intervene in a broad range of diseases. ISS alone can be used as a drug because of their intrinsic biological activities. We have developed several proprietary formulations that significantly enhance the activity of ISS alone. These modified ISS also can be employed in combination with antigens leading to enhanced immune responses. In addition, we have shown that linkage of ISS to allergens and antigens, using our proprietary linkage technologies, alters their properties in a dramatic and useful way. Our linkage technology allows us to pursue multiple product opportunities in several disease classes.

We plan to develop our ISS platform technology in three general ways.

ISS LINKED TO ALLERGENS: ISS can be linked to allergens that are known to cause specific allergies, ensuring that ISS and the allergen are presented to the same part of the immune system at the same time. The linked molecule generates an increased Th1 response by the immune system in the form of IgG antibodies and interferon gamma. In animal and cell systems, the Th1-enhancing activity of ISS linked to allergens is superior to that generated by an un-linked mixture of ISS with a given allergen. As a result, the ISS-linked allergens have a highly specific and potent inhibitory effect on the Th2 cells responsible for the allergic condition. The net effect of this type of treatment is to reprogram the immune response away from the Th2 response that causes the allergy. Upon subsequent natural exposure to the allergen, the Th1 memory response is triggered, therefore providing long-term control of the allergy. In addition, the linked ISS make the allergen inaccessible to the IgE bound to inflammatory cells, dramatically increasing the safety of the drug. We plan initially to pursue product opportunities in seasonal and life-threatening allergies.

ISS LINKED TO OR IN COMBINATION WITH ANTIGENS: Specific antigens associated with cancer and with pathogens such as viruses and bacteria are the basis of efforts to develop vaccines and immunization-based therapies. A major impediment to these development efforts has been difficulty in activating antigen-specific killer T cells to attack and destroy infected or abnormal cells. ISS linked to an antigen may solve this problem. The linkage of ISS to antigens enhances the ability of the antigen presenting cells to increase the visibility of the antigen to the immune system and, in conjunction with the Th1-response inducing properties of ISS, produce a strong, highly specific Th1 response to the linked antigen. For antigens with complex structures, where linkage technology may not be appropriate, we have developed alternative ISS formulations that can be administered in combination with antigens and produce similar results. We believe our proprietary technology is applicable to a number of known antigens relevant to multiple diseases. Our initial focus will be in infectious diseases.

ISS ALONE: For inflammatory diseases such as asthma, idiopathic pulmonary fibrosis and ulcerative colitis, there are no well-identified single allergens or other molecules responsible for the inflammatory process. ISS alone have some biological activities that may play an important role in treating these diseases. ISS administered by methods that can deliver them to the affected sites inhibit Th2 based inflammation and enhance the production of interferon gamma, which in turn further inhibits the Th2 response. As a result, the body's ability to control inflammatory responses is enhanced. The simultaneous presence of ISS with unidentified inflammation related antigens might lead to the development of antigen specific Th1 cell memory. This type of an effect could result in a long-term therapeutic outcome. Another highly specialized application of ISS alone is to use it in conjunction with anti-tumor monoclonal antibodies as a combination therapy. Anti-tumor monoclonal antibodies are a special class of antibodies that are capable of recognizing and eliminating cancer cells and we expect ISS to enhance elimination of cancer cells by these antibodies through ISS's ability to activate the immune system. We plan to initially pursue applications in chronic inflammatory diseases.

OUR TZP PROGRAM

TZPs are a class of chemical compounds capable of inhibiting inflammation through what we believe is a unique mechanism of action. They act at the level of presenting cells that are responsible for the production of cytokines such as TNF-alpha and IL-12. Our drug candidate for the TZP program, I-153, is a molecule that inhibits synthesis, or production, of TNF-alpha and IL-12. We have shown that this drug candidate works in animal models and human cell systems. Its therapeutic effect may differ from marketed products that work by blocking the activity of TNF-alpha only after it has been produced. We believe our drug candidate will be orally available, which would offer substantial advantages over existing, injectable TNF-alpha blockers. We plan to initially pursue their use for the treatment of rheumatoid arthritis.

BROAD APPLICATIONS OF OUR TECHNOLOGIES

This table lists the known potential product opportunities for our two technologies based on pre-clinical and clinical work performed by us and others. We are currently concentrating our efforts on a subset of specific product opportunities, which are highlighted in bold, for our development efforts.

[DESCRIPTION OF CHART

Chart listing our technologies, their disease applications and specific product opportunities. For our allergens linked to ISS technology, the disease applications listed are seasonal allergies, perennial allergies and life-threatening allergies. The specific product opportunities listed for seasonal allergies are ragweed pollen (in bold), grass pollen (in bold) and tree pollens. The specific product opportunities listed for perennial allergies are dust mite, cockroach and cat. The specific product opportunities listed for life-threatening allergies are peanut (in bold) and latex.

For our antigens linked to or combined with ISS technology, the disease applications listed are infectious diseases and cancer. The specific product opportunities listed for infectious diseases are hepatitus B (in bold), HIV (in bold) and other viral and bacterial infections. The specific product opportunities listed for cancer are tumor antigens.

For our ISS alone technology, the disease applications listed are chronic inflammatory diseases, infectious diseases and cancer. The specific product opportunities listed for chronic inflammatory diseases are idiopathic pulmonary fibrosis (in bold), ulcerative colitis, asthma, conjunctivitus and atopic dermititus. The specific product opportunities listed for infectious diseases are herpes, tuberculosis and other viral and bacterial infections. The specific product opportunities listed for cancer are combination therapies with anti-tumor monoclonal antibodies.

For our TZPs technology, the disease applications listed are chronic inflammatory diseases and the specific product opportunities listed are rheumatoid arthritis (in bold), Crohn's disease, congestive heart failure and asthma.]

OUR BUSINESS STRATEGY

Our objective is to leverage our expertise and understanding of immunology and drug development to discover, develop and commercialize novel and superior drugs. We intend to structure carefully our pre-clinical and clinical efforts to get early, relatively inexpensive, indications of proof of concept for many of our potential products. In order to carry out our strategic objectives, we intend to:

DEVELOP OUR ISS TECHNOLOGY PLATFORM ACROSS MULTIPLE APPLICATIONS

Our core ISS technology platform could yield a large and diverse set of products in multiple disease areas because we can easily manipulate ISS into various configurations and can couple them with a range of allergens and antigens. First, we intend to establish ISS as a widely accepted technology with applications and competitive advantages through a lead product candidate in each of the disease areas in which we are focusing. After we establish our ISS technology, we will expand our product portfolio by pursuing multiple product opportunities. For example, once we have established the efficacy of our ISS based ragweed allergy product, we believe we can use the same technology to rapidly develop several analogous products for other allergies.

ESTABLISH A LEADERSHIP POSITION IN THE TREATMENT OF IMMUNE RELATED DISORDERS

In addition to ISS, we plan to pursue other approaches for the treatment of inflammation and infectious diseases. For example, TZPs are a complementary technology for addressing chronic inflammatory diseases. TZPs may be useful in treating inflammatory diseases that are caused by an excess of Th1 type cytokines and, therefore, not treatable with ISS, which works by stimulating the Th1 response. In the future, we will also consider in-licensing and acquisition opportunities that could supplement our in-house development efforts and add to the breadth of our capabilities and technologies.

SEEK COLLABORATIONS FOR SELECT PRODUCTS AND MARKETS

Although we intend to retain rights to products that we can commercialize ourselves, we also intend to collaborate with larger pharmaceutical and biotechnology companies to support the development and commercialization of other products. For example, at the appropriate stage of product development, we may consider a collaboration that offers commercial rights to selected products and markets in exchange for support in the form of specialized skills, development resources, access to proprietary antigens or the use of a large and geographically dispersed sales and marketing infrastructure.

COMMERCIAL APPLICATIONS

Positive pre-clinical data and, in the case of AIC, clinical data indicate the broad potential applications of our technologies to many diseases. We are pursuing selected product development programs either through our own internal development efforts or in conjunction with collaborators that provide key product synergies or disease area expertise as set forth in the table below.

PRODUCTS	DISEASE AND INDICATION	DEVELOPMENT STATUS	STRATEGIC COLLABORATION (REGION)
ALLERGY:			
ISS linked to Amb a 1 (AIC)	Immunotherapy of ragweed induced seasonal allergy	Phase II	Stallergenes (Europe)
ISS linked to Lol p 1	Immunotherapy of grass induced seasonal allergy	Pre-clinical	*
ISS linked to peanut allergens	Immunotherapy of peanut induced life-threatening allergy	Pre-clinical	*
INFECTIOUS DISEASE:			
ISS linked or combined with HBV surface antigen	Hepatitis B prevention and therapy	Phase I/II planned in December 2000	Triangle Pharmaceuticals (Worldwide)
ISS linked or combined with HIV antigens	AIDS prevention and therapy	Pre-clinical	Aventis Pasteur (Worldwide)
CHRONIC INFLAMMATION:			
ISS alone in various formulations	Idiopathic Pulmonary Fibrosis	Pre-clinical IND planned in the third quarter of 2001**	*
TZP I-153	Rheumatoid Arthritis	Pre-clinical IND planned in the third quarter of 2001**	*

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* We currently retain exclusive, worldwide rights to these programs.

** IND is an investigational new drug application. See "Business--Regulatory Considerations."

PRODUCTS FOR ALLERGIC DISEASES

SEASONAL ALLERGIES

BACKGROUND

Approximately 40 million people suffer from allergic rhinitis, or hay fever, in the United States. The most common causes of hay fever are pollens produced by weeds, grasses and trees. Ragweed pollen allergies affect an estimated 20 to 30 million people. Grass pollen allergies also affect approximately 30 million people. These populations are partially overlapping in that many people suffer from more than one allergy. According to market research from Frost & Sullivan, the total U.S. market for allergy prescription pharmaceuticals in 1999 was estimated at $4.0 billion, primarily from the sales of antihistamines and nasal steroids directed at achieving symptomatic relief. Many people, however, seek additional treatment by allergy immunotherapy, or allergy shots, because oral antihistamines and nasal steroids are inadequate to relieve their allergy symptoms.

In the United States, an estimated two million individuals receive allergy shots as a longer-term treatment for their allergy. Of these two million individuals, approximately 750,000 annually undergo

immunotherapy for ragweed allergy. An additional 500,000 undergo immunotherapy for grass pollen allergy.

CURRENT ALLERGY TREATMENTS

ANTIHISTAMINES AND NASAL STEROIDS. These drugs act by blocking one of the processes responsible for the common symptoms associated with allergies. They do not impact the cause of the disease, but provide temporary relief from symptoms such as runny nose and eye irritation. Both drugs are often taken in anticipation of symptoms due to their slow onset of action and must be continually taken during the allergy season to avoid symptoms. Moreover, approximately 15% to 30% of allergy sufferers find that they cannot control their symptoms with these drugs alone. In addition, depending on the type of drug used, side effects can include sedation, dry mouth, nasal bleeding, headache and fatigue.

ALLERGY IMMUNOTHERAPY (ALLERGY SHOTS). Patients are recommended for allergy immunotherapy only after attempts to reduce allergic symptoms by medication or limiting exposure to the allergen have been inadequate. Typically patients receive a series of approximately 60 injections of diluted allergen administered at first weekly and then monthly over a period of almost two years. The goal of the treatment is to begin with injections of highly diluted forms of allergen extracts and then slowly over time increase the amount of allergen delivered without initiating an allergic attack. Once immunotherapy is completed, patients for which the treatment is effective become tolerant of the allergen and experience a long-term decrease in their symptoms.

This conservative approach is primarily due to concerns of severe reactions following each shot, the inconvenience of repeated visits to the doctor's office and the six-month to one-year lag time between the start of the therapy regimen and the reduction of allergy symptoms. The majority of patients suffer an adverse reaction such as inflammation at the site of injection or, more rarely, difficulty breathing. These drawbacks underlie an estimated patient dropout rate from the immunotherapy of 20% to 30% per year. The current immunotherapy must also be customized for each individual patient and is not delivered as a standard pharmaceutical product.

OUR APPROACH

We are developing a new type of allergy immunotherapy, involving ISS directly linked to allergens, which may have several advantages over current forms of immunotherapy.

- We believe our approach will lead to safer treatments because the ISS molecules attached to the allergens serve to make inaccessible the portions of the allergen that would normally cause the immune system to rapidly release histamine and other inflammatory chemicals. Thus the risk of having an adverse reaction to the treatment is reduced in comparison to current immunotherapy.

- Our approach will be more convenient because it will reduce the number of doses required from the current regimen of 60 injections over 24 months to a total of 6 to 8 injections delivered at weekly intervals. In addition, it will replace a product currently prepared by individual physicians with a standard pharmaceutical product that can be used without dilution or other preparation.

- Current forms of immunotherapy decrease the Th2 response over time and may also increase Th1 responses to allergens. Our approach may be more effective because we have found that, by linking ISS to the allergen, we can accelerate the enhancement of the Th1 response, increasing the ability of ISS to inhibit the Th2 response.

Our approach should have a competitive advantage over antihistamines and nasal steroids, which require continuous use for symptom control, as the creation of Th1 immunologic memory to the allergen may provide long-term relief from an allergic condition.

Taken together, these advantages should allow ISS based products to displace current immunotherapy and may even lead to an expansion into the patient segment currently only using antihistamines or nasal steroids.

AIC: OUR LEAD PRODUCT FOR RAGWEED ALLERGY

Our lead anti-allergy product, AIC, is a molecule composed of the major ragweed allergen, Amb a 1, linked to our ISS sequence, ISS-1018. We have granted an option to Stallergenes, a French vaccine company, to negotiate for rights to commercialize AIC in Europe.

CLINICAL STATUS. A Phase I study recently completed at Johns Hopkins University demonstrated that AIC is better tolerated than conventional ragweed pollen extracts currently used in immunotherapy. This study compared the skin test responses of six subjects receiving AIC and a commercially-available ragweed immunotherapy product. We believe AIC is safe because the allergic response to AIC was significantly less than that of the ragweed product. On average, 180-fold more AIC was required to induce an allergic response equal to that of the ragweed product. These clinical trial data confirmed the results of previous histamine release assays performed on human cells and indicated the potential for improved safety of AIC for immunotherapy.

On our behalf, Stallergenes is conducting a Phase II trial in France on safety and immunogenicity in a pool of 27 ragweed-allergic subjects. The lead-in portion of the study included six study subjects, each of whom received six AIC injections administered in a three-week injection schedule. Maximum dose administered was 2.4 micrograms. The active portion of this study has been completed. Data from the lead-in study indicated that the AIC product at all doses was well-tolerated. Four of six patients displayed measurable IgG increases through the regimen with only minor changes in IgE levels. This observation is consistent with an increased Th1 response and is similar to effects observed after the completion of traditional immunotherapy. Because of the small size of these trials, proof of efficacy will require the completion of subsequent trials.

Following the lead-in phase, 12 study participants were randomized in a double-blind manner to receive placebo or six weekly injections of AIC in a dose-escalation format. The maximum dose administered was 15 micrograms. Subsequent to the randomized portion of the study, nine more study subjects were enrolled in an open study format and also received six weekly injections of AIC in a similar dose-escalation format. The doses of AIC were again well-tolerated, other than the observation of mild reactions at the injection site in some study subjects that did not require treatment. No significant adverse systemic reactions were observed at any time during the study. Antibody responses to ragweed allergen showed marked increases in IgG levels with only minor changes in IgE, suggesting suppression of the Th2 response. Study participants will be monitored through the ragweed season for additional safety data.

We are conducting a double-blind placebo controlled Phase I/II trial in the United States. This trial is designed to evaluate the safety and immune response, or the immunogenicity, to AIC in 20 subjects when administered by subcutaneous injection in a 17-injection regimen. This trial was designed to administer AIC in a regimen consistent with current immunotherapy. As a result, it involves a slow and gradual dose escalation beginning with highly diluted AIC treatments. The active portion of this study will be completed by the first quarter of 2001. We expect future trials to conform to our target of 6 to 8 injections per treatment regimen.

We plan to continue Phase II testing of AIC in the next 12 months in a series of studies designed to optimize dose and regimen and to measure clinical efficacy in response to natural exposure to pollen during ragweed season. As part of this continuing program, we have initiated a placebo-controlled study involving 20 subjects in Canada. In this study, we intend to confirm and expand safety and dose-ranging in weekly injections over six weeks similar to our trial in France. Additional Phase II studies are planned for the first half of 2001 and expanded Phase III efficacy studies are planned for 2002.

OUR GRASS ALLERGY IMMUNOTHERAPY

As our ragweed product progresses through clinical testing, we intend to produce similar ISS-allergen linked product candidates for the treatment of other major seasonal allergies. We are currently developing a product for the treatment of grass allergy that consists of ISS linked to Lol p 1,

the major grass allergen. As with AIC, we believe an improvement in the safety, convenience and efficacy of a specific grass allergy treatment enabled by our ISS linking technology may provide a distinct advantage over conventional immunotherapy. We believe this could be an important product because, while ragweed allergies occur predominantly in North America, grass pollen allergies are common worldwide.

LIFE-THREATENING ALLERGIES

BACKGROUND

An estimated six million Americans suffer from food allergies. Although the underlying allergic disease is believed to have a similar basis as with seasonal allergies, namely a Th2-dominated response to an environmental substance, the manifestation of the allergic response can be much more severe. Food allergies are the leading cause of anaphylaxis, a severe allergic reaction involving difficulty breathing, swelling of tissues and, in extreme cases, death. They accounted for more than 30,000 visits to the emergency room in the United States in 1999. Peanut allergy is the most common form of food allergy, affecting more than three million people in the United States.

There are currently no products available that prevent food allergies. Patients must carefully monitor what they eat for the presence of the substance to which they are allergic. Despite avoidance of the problematic substance, people with food allergies typically have one severe systemic allergic reaction every two to three years. Emergency treatment following allergen ingestion and the onset of allergic symptoms primarily consists of the administration of epinephrine to treat anaphylaxis and prevent death. Attempts at immunotherapy to desensitize patients with food allergies have been unsuccessful due to the occurrence of life-threatening responses during the treatment process.

OUR APPROACH

We believe that ISS, linked with the principal allergen associated with a particular food allergy may be able to suppress the Th2 response and reduce or eliminate the allergic reaction in a way similar to what we hope to achieve with seasonal allergy products. Our primary advantage in this area is the increased safety we believe we can achieve by linking ISS to the allergen. By using ISS to block the surfaces of the allergen that would normally cause the immune system to release histamine, we may be able to administer enough of the modified product allergen to safely reprogram the immune response without inciting a dangerous allergic reaction. Furthermore, we believe the longer-term effects of ISS will reprogram the immunologic memory from a Th2 response to a Th1 response, thereby reducing the danger of an allergic response following an accidental exposure.

We are developing a peanut allergy product that consists of ISS linked to the major peanut allergen, Ara h 2. We have demonstrated in mice that peanut allergen linked to ISS induces much higher levels of Th1-induced IgG antibodies and much lower levels of IgE than natural peanut allergen. Immunization with our product candidate has been shown to protect peanut allergic animals from anaphylaxis and death. The data suggest that food allergens linked directly to ISS may be able to program a Th1 response that will suppress or replace the allergic Th2 response. We are continuing our pre-clinical testing of the safety and efficacy of this product with the goal developing a product for human clinical testing.

PRODUCTS FOR INFECTIOUS DISEASES

BACKGROUND

Infectious diseases represent a serious worldwide health concern. They are caused by a variety of viral, bacterial and parasitic infections, including potentially lethal infections such as HIV and hepatitis B. The most efficient and successful method of protecting humans from infectious diseases is through vaccination. Vaccines induce the immune system to develop protective responses against infecting pathogens, such as viruses or bacteria, primarily through the production of T cells with specific

immunologic memory of antigens associated with the pathogen. Typically vaccines are used only to prevent viral and bacterial infections and are not used to treat existing infections. Other therapeutic interventions, aside from the widespread use of antibiotics to treat bacterial infections, involve specific anti-viral drugs directed to inhibit viral replication. We are currently developing products for the prevention and treatment of viral infections.

CURRENT APPROACH TO INFECTIOUS DISEASE PREVENTION AND TREATMENT

Vaccines are developed using one of the following approaches.

- ATTENUATED LIVE AND KILLED ORGANISM VACCINES. Vaccines containing live or killed organisms were among the first vaccines developed. Although these classic vaccines are effective at producing protective immune responses and long-term immunologic memory to the pathogen, attenuated live vaccines carry a risk of actually causing an infection because a pathogen is used in their production. Furthermore, the process of manufacturing large amounts of the appropriate organisms is not practical.

- SUBUNIT VACCINES. This approach utilizes antigens that are extracted from a pathogen or artificially manufactured. Subunit vaccines do not contain the whole pathogen and therefore carry minimal risk of causing infection. However, they have limited applications because they generally produce a limited immune response that is insufficient for protection against some pathogens. The major shortcoming for failed subunit vaccines is their inability to stimulate the killer T cell activity and interferon gamma production associated with a Th1 response, which are essential features in effectively combating and clearing infection. Instead, subunit vaccines are known, in general, to produce a limited Th2 response possibly because they lack many of the complex features presented to the immune system by whole pathogens.

Antiviral drugs are the best available therapies for chronic viral infections, however, they suffer from the following specific limitations:

- antiviral drugs mainly act by interfering with viral replication but do not completely eliminate the infection;

- because antiviral drugs do not eliminate the infection, the drugs need to be continuously administered to control the virus for extended periods of time;

- after long periods of therapy, mutant viruses, resistant to the treatment, can emerge, requiring new or multiple drug interventions for continued effective control;

- side effects become a significant problem during these extended, multiple drug therapies; and

- because of the problems with antiviral drugs, patients frequently interrupt recommended regimens.

OUR APPROACH

We have two approaches whereby ISS are either linked with an antigen or delivered in combination with an antigen. We believe that, by linking ISS to infectious disease antigens, we can produce more effective vaccines that will elicit robust Th1-driven responses, such as killer T cell activity, that will protect against future infection and may also be effective at treating existing infections. We have also developed alternative ISS/antigen formulations that generate Th1 immune responses, but do not require linkage.

In pre-clinical studies, we have found that linking ISS to an antigen increases the visibility of the antigen to the immune system and produces a strong, highly specific Th1 response to the antigen, including stimulation of protective antibodies, activation of antigen specific killer T cells and production of interferon gamma. This combination of immunostimulatory properties enabled by our ISS linkage presents a significant advantage over existing subunit vaccines, which induce primarily Th2-type

responses. Moreover, evidence suggests that therapies that combine antiviral drugs with immunomodulators can lead to increased efficacy. Accordingly, as part of our collaboration with Triangle Pharmaceuticals, we plan to utilize Triangle's antiviral drugs to lower viral replication together with specific immunotherapy to increase immune responses to eliminate the viral infection. We believe that this combination therapy may offer significant synergies and produce therapeutic outcomes superior to those achievable with the individual drug interventions.

HEPATITIS B PREVENTION AND THERAPY

Hepatitis B is a serious public health problem that affects people of all ages in the United States and around the world. According to the Centers for Disease Control, each year more than 200,000 people contract hepatitis B in the United States. It is estimated that the worldwide-infected population is 350 million. Hepatitis B virus infection can lead to severe illness, liver damage, liver cancer and death.

Hepatitis B subunit vaccines consist of the major antigen on the surface of the virus (hepatitis B surface antigen). These vaccines are currently used for preventing infection, but do not improve or cure chronic hepatitis B infection. There are two licensed therapies for chronic hepatitis B infection. Interferon alpha has limited efficacy and the side effects include fever and general malaise. Epivir HBV-Registered Trademark- is an antiviral drug that works by blocking viral replication. Its limitations are similar to those affecting all drugs of this class, including the development of resistance to the drug and the inability to eliminate the virus.

PRODUCT DESCRIPTION. Our hepatitis B product is composed of a hepatitis B surface antigen administered in combination with ISS.

PROGRAM STATUS. Pre-clinical studies in mice, dogs and several species of non-human primates have demonstrated that administration of hepatitis B surface antigen in combination with ISS dramatically influences the quality and magnitude of the immune responses evoked against this antigen. In non-human primates, antibody responses are induced that are four to 50 times higher than responses induced with the hepatitis B surface antigen alone. The higher antibody responses and the strong Th1 enhancement indicate that hepatitis B surface antigen in combination with ISS could be an improved product for the prevention and treatment of hepatitis B infection. We have filed an investigational new drug application in Canada and anticipate commencing Phase I clinical trials with this combination in the fourth quarter of 2000.

HIV/AIDS PREVENTION AND THERAPY

We are using our ISS technologies to develop other infectious disease vaccines in a collaborative program with Aventis Pasteur. Our initial target is human immunodeficiency virus, or HIV. The virus causes acquired immune deficiency syndrome, or AIDS, a disease that has become a major worldwide epidemic. In North America, there are approximately 400,000 infected people while worldwide infection is as much as 50 million. By killing or impairing helper T cells, HIV progressively destroys the body's ability to fight infections and cancers.

Although a combination of anti-viral drugs has been found to suppress the virus and in some cases the progression of disease, these treatments do not provide a cure and may have significant toxicities over time. Despite the fact that most of the HIV antigens have been identified, the exact composition of an effective HIV vaccine has yet to be determined. There is scientific consensus, however, that key characteristics of an HIV vaccine include the ability to activate a Th1-driven killer T cell response and establish Th1 immunologic memory. We are developing vaccines composed of ISS linked to HIV antigens. Initial pre-clinical studies with HIV indicate that ISS linked to an HIV surface antigen induces much higher Th1-driven antibody and killer T cell responses than when the HIV antigen is administered alone. This approach also could be useful in treating people who are already infected with the virus by enhancing their ability to mount an effective immune response against the infection.

OTHER INFECTIOUS DISEASE VACCINES

Under our agreement with Aventis Pasteur, we will have primary responsibility for pre-clinical and Phase I studies for other infectious disease indications beyond HIV. These activities are scheduled to be implemented after completion of Phase I clinical trials with HIV.

PRODUCTS FOR CHRONIC INFLAMMATORY CONDITIONS

IDIOPATHIC PULMONARY FIBROSIS

BACKGROUND

Chronic inflammatory diseases, such as idiopathic pulmonary fibrosis and ulcerative colitis, are believed to result from an overactive Th2 response to an unidentified allergen or allergens. While researchers have not defined the specific environmental substances that provoke these diseases, the symptoms are believed to be directly linked to the abundant production of Th2 cytokines. These diseases are also characterized by the localized nature of the inflammatory response. Idiopathic pulmonary fibrosis is a lung disease that is characterized by a progressive scarring and organ fibrosis. There are more than 50,000 idiopathic pulmonary fibrosis patients in the United States. The median life expectancy is four to five years after the onset of symptoms.

CURRENT APPROACH

There is currently no commercially available, effective treatment for idiopathic pulmonary fibrosis. Oral steroids are commonly prescribed for this disease, but this treatment is not highly effective. A recent clinical study demonstrated that idiopathic pulmonary fibrosis patients treated with interferon gamma plus steroids had a substantial improvement in lung function compared to idiopathic pulmonary fibrosis patients treated with steroids alone.

OUR APPROACH

Our ISS molecules induce the production of specific cytokines that can suppress IL-4 driven inflammation and induce the production of interferon gamma. As a result, we believe that our ISS molecules may be used to develop enhanced therapeutics for idiopathic pulmonary fibrosis.

We are currently preparing a formulation of ISS that should be capable of inducing interferon gamma in the lung, therefore avoiding the undesirable side effects caused by interferon gamma, a therapy that is currently in clinical development. Pre-clinical studies have demonstrated that ISS can stimulate the secretion of interferon gamma and inhibit the secretion of IL-4 in both mouse and human cells. We expect to file an investigational new drug application for the use of ISS in this indication in the first half of 2001.

RHEUMATOID ARTHRITIS

BACKGROUND

In rheumatoid arthritis, the membrane surrounding the joints becomes inflamed, causing swelling, pain, disfigurement and, in severe cases, destruction of the joints. Rheumatoid arthritis is believed to be a disease in which the immune system inappropriately produces inflammatory cytokines that cause tissue damage. The disease affects approximately two million people in the United States.

TNF-alpha and IL-12 play a major role in the body's inflammation reaction in diseases such as rheumatoid arthritis. Following bacterial or viral infection, TNF-alpha and IL-12 are normally released as part of a Th1-dominated immune response to fight the invading pathogen. In rheumatoid arthritis, however, an inappropriately elevated chronic production occurs. A number of published studies demonstrate that treatments that inhibit TNF-alpha have profound efficacy in the treatment of rheumatoid arthritis. Recently, two products that neutralize the biologic activity of TNF-alpha have been granted marketing approval in the United States. REMICADE-Registered Trademark- an antibody specific for

TNF-alpha that is marketed by Centocor, Inc., was approved for the treatment of Crohn's disease and is expected to receive approval for the treatment of rheumatoid arthritis in the near future. REMICADE is administered by intravenous infusion. A similar, large protein blocker of TNF-alpha, ENBREL-Registered Trademark- which is co-marketed by American Home Products and Immunex Corporation, has also been approved for the treatment of rheumatoid arthritis. ENBREL is administered by subcutaneous injection. Sales of ENBREL for 2000 are estimated to exceed $800 million. In addition, both products are being evaluated in clinical trials for other indications, including congestive heart failure and psoriasis.

CURRENT APPROACH

Both of the currently available TNF-alpha inhibitors, while effective, have limitations.

- They either have to be injected or infused frequently, making them inconvenient for the patient.

- They both act by blocking the activity of TNF-alpha that has already been produced. Because TNF-alpha is continuously produced, large quantities of the drugs must be administered to produce a therapeutic effect.

- Both drugs act only on TNF-alpha and do not inhibit other inflammatory cytokines, such as IL-12, that are known to contribute to the disease.

- Because both treatments require large quantities of biological material, they run the risk of generating unwanted side effects related to immune responses to the drugs.

OUR APPROACH

We are developing TNF-alpha and IL-12 synthesis inhibitors for the treatment of rheumatoid arthritis. Our lead drug candidate, I-153, may offer key advantages over current large protein inhibitors of TNF-alpha. We believe our drug will be active as an oral medication, will require less frequent dosing and will have a lower risk of being recognized as a foreign antigen by the patient's immune system. We have shown that I-153 can significantly inhibit TNF-alpha and IL-12 secretion from human cells and inhibits induced arthritis in a rat model when given as an oral drug. The drug candidate has been shown to inhibit cytokine production through a novel mechanism that differentiates it from existing approaches. We expect to complete pre-clinical evaluation of the molecule in early 2001 and plan to file an investigational new drug application in the first half of that year for the treatment of rheumatoid arthritis.

OTHER TNF-ALPHA MEDIATED INFLAMMATORY DISEASES

If we see positive results in our TNF-alpha program for rheumatoid arthritis, we will expand our program to indications that are known to respond favorably to TNF-alpha inhibition such as Crohn's disease and congestive heart failure.

COLLABORATIONS

AVENTIS PASTEUR

In December 1999, we entered into a collaboration agreement with Aventis Pasteur relating to the development of new vaccines and therapeutic drugs for a variety of infectious diseases. Under the first part of the agreement, we will collaborate with Aventis Pasteur to develop new vaccines, initially for HIV, that include additional formulations of ISS. This agreement covers development activities through Phase I clinical trials for two projects and is extendable to a limited set of other infectious diseases. In exchange, Aventis Pasteur will compensate us for our costs plus a small premium based on these costs. If Aventis Pasteur wishes to continue development beyond Phase I, it has an option to do so and will compensate us through a combination of milestone-based payments and royalties.

Under the second part of the agreement, Aventis Pasteur has a right of first negotiation for worldwide exclusive rights to use ISS in conjunction with specific antigens in the fields of infectious disease and cancer not covered under the first part of the agreement. This right may be exercised at any time while the agreement is in effect, but no later than 90 days after the completion of our commitments under the agreement. Aventis Pasteur will compensate us through license fees, cost reimbursements, milestones and royalties should the parties agree to move forward on these projects. Aventis Pasteur may terminate the agreement based on the results and data obtained from the studies.

In connection with this agreement, Aventis Pasteur and parties related to Aventis Pasteur purchased 245,776 shares of our Series R preferred stock for an aggregate purchase price of $2.0 million.

STALLERGENES

In November 1999, we entered into an agreement with Stallergenes, a European leader in the field of allergy immunotherapy, to develop products to treat seasonal allergies using allergens linked to ISS. Under the agreement, we will collaborate with Stallergenes on the pre-clinical and clinical development of two different forms of AIC for treatment of ragweed allergies. On or before February 2002, Stallergenes may exercise its option to negotiate a licensing agreement for commercialization rights to AIC in Europe. If our efforts result in a marketable product, we will make royalty payments to Stallergenes for sales of AIC outside of their agreed upon markets. Stallergenes also has a right of first negotiation with respect to other seasonal allergy products.

In connection with this agreement, Stallergenes purchased 228,571 shares of our Series S-1 preferred stock for an aggregate purchase price of $2.0 million.

TRIANGLE PHARMACEUTICALS

In March 2000, we entered into a license agreement with Triangle Pharmaceuticals under which we granted Triangle an exclusive worldwide license to use our technology to develop ISS-based therapies for the treatment and prevention of hepatitis B and hepatitis C and the treatment of HIV infection. Under the agreement, Triangle will develop ISS-based therapies and make milestone and royalty payments to Dynavax. Under the same agreement, Triangle also will sponsor a specific set of our research activities.

In connection with this agreement, Triangle purchased 228,571 shares of our Series T preferred stock for an aggregate purchase price of $2.0 million.

UNIVERSITY OF CALIFORNIA, SAN DIEGO

In December 1998, we entered into an agreement with the Regents of the University of California on behalf of the University of California, San Diego in which the the University of California, San Diego agreed to conduct discovery research aimed at uncovering new potential and novel applications for ISS. According to the agreement, we will fund the project up to approximately $1.0 million per year. Subject to the provision of the agreement, the University of California, San Diego will retain all intellectual property rights to discoveries made by its employees, but must promptly disclose any new discoveries to us. We will retain all intellectual property rights to any discoveries we make. The agreement also gives us a right of first refusal to license any discoveries made by the University of California, San Diego. The project will terminate on December 31, 2003 unless we terminate it earlier under the terms of the agreement.

MANUFACTURING

Initially, we intend to rely on high quality contract manufacturers to produce our products. The material used to manufacture ISS is available from several commercial manufacturers in amounts and

quality appropriate for human therapeutic interventions. The allergens we use are purified from natural sources and linked to ISS by third parties according to methods we develop.

MARKETING

We plan to market our products either directly or through co-marketing and licensing agreements with established pharmaceutical companies. For our allergy products, we intend to develop a direct sales force to market our allergy products in the United States. In markets outside the United States and for products other than our allergy products, we will seek to establish strategic alliances with leading pharmaceutical companies with sales and marketing expertise in the appropriate therapeutic areas.

INTELLECTUAL PROPERTY

Our success will depend in large part on our and our licensors' abilities to:

- obtain patent and other proprietary protection for our proprietary technology;

- defend patents once obtained;

- preserve trade secrets; and

- operate without infringing the patents and proprietary rights of third parties.

Although we believe our patents and patent applications, including those that we license, provide a competitive advantage, the patent positions of pharmaceutical and biopharmaceutical companies are highly uncertain and involve complex legal and factual questions. We and our collaborators or licensors may not be able to develop patentable products. We and our collaborators or licensors may not be able to obtain patents from pending patent applications. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us.

These current patents, or patents that issue on pending applications, may be challenged, invalidated, infringed or circumvented, and the rights granted in those patents may not provide proprietary protection or competitive advantages to us. Patent applications in the United States are presently maintained in secrecy until patents issue and patent applications in some foreign countries generally are not published until many months or years after they are filed. Scientific and patent publication often occurs long after the date of the scientific discoveries disclosed in those publications. Accordingly, we cannot be certain that we were the first to invent the subject matter covered by any patent application or that we were the first to file a patent application for any inventions.

Our commercial success depends significantly on our ability to operate without infringing patents and proprietary rights of third parties. A number of pharmaceutical companies, biotechnology companies, universities and research institutions may have filed patent applications or may have been granted patents that cover technologies similar to the technologies owned or licensed to us. We cannot determine with certainty whether patents or patent applications of other parties may materially affect our ability to make, use or sell any products.

The existence of third-party patent applications and patents could significantly reduce the coverage of the patents owned by or licensed to us and limit our ability to obtain meaningful patent protection. If patents containing competitive or conflicting claims are issued to third parties, we may be enjoined from pursuing research, development or commercialization of products or be required to obtain licenses to these patents or to develop or obtain alternative technology. In addition, other parties may duplicate, design around or independently develop similar or alternative technologies to ours or our licensors. If another party controls patents or patent applications covering our products, we may not be able to obtain the rights we need to those patents or patent applications in order to commercialize our products.

Litigation may be necessary to enforce patents issued or licensed to us or to determine the scope or validity of another party's proprietary rights. U.S. Patent Office interference proceedings may be necessary if we and another party both claim to have invented the same subject matter.

We could incur substantial costs if:

- litigation is required to defend against patent suits brought by third parties;

- we participate in patent suits brought against or initiated by our licensors;

- we initiate similar suits; or

- we participate in an interference proceeding.

In addition, we may not prevail in any of these actions or proceedings. An adverse outcome in litigation or an interference or other proceeding in a court or patent office could:

- subject us to significant liabilities;

- require disputed rights to be licensed from other parties; or

- require us to cease using some of our technology.

We also rely on trade secrets and proprietary know-how, especially when we do not believe that patent protection is appropriate or can be obtained. Our policy is to require each of our employees, consultants and advisors to execute a confidentiality and inventions agreement before beginning their employment, consulting or advisory relationship with us. These agreements generally provide that the individuals must keep confidential and not disclose to other parties any confidential information developed or learned by the individuals during the course of their relationship with us except in limited circumstances. These agreements also generally provide that we own all inventions conceived by the individuals in the course of rendering services to us.

We collaborate with other entities on research, development and commercialization activities. Disputes may arise about inventorship and corresponding rights in know-how and inventions resulting from the joint creation or use of intellectual property by us and our collaborators, licensors, scientific collaborators and consultants. In addition, other parties may circumvent any proprietary protection we do have. As a result, we may not be able to maintain our proprietary position.

Our intellectual property portfolio can be divided into three main technology areas: ISS, TZPs and DNA vaccination. We have entered into three exclusive, worldwide license agreements with the Regents of the University of California for technology and related patent rights in these three technology areas.

- ISS TECHNOLOGY: We have 17 U.S. patent applications pending that seek worldwide coverage of compositions and methods using ISS technology. Most of these applications have been exclusively licensed worldwide from the Regents of the University of California.

- THIAZOLOPYRIMIDINES: We have one issued patent and four pending U.S. patent applications providing worldwide rights to a group of small molecule TNF-alpha synthesis inhibitors. We hold exclusive, worldwide licenses to these patents and patent applications held by the Regents of the University of California.

- DNA VACCINATION TECHNOLOGY: We have seven issued U.S. and foreign patents and two pending U.S. patent applications covering methods and compositions for DNA vaccination and methods for their use. Under an exclusive license agreement with the Regents of the University of California, we obtained an exclusive, worldwide license to the University of California's patents and patent applications relating to DNA vaccination, and we have the right to grant licenses under these patents and patent applications to third parties. Effective January 1998, we entered into a cross-licensing agreement with Vical, Inc. that grants each company exclusive, worldwide rights to combine the other firm's patented technology for DNA immunization with its own for selected indications.

Under these agreements, we are required to pay license fees to the University of California, make milestone payments and pay royalties on net sales resulting from successful products originating from the licensed technology. Under the terms of our license agreements with the University of California, we will be required to make a one time cash payment to the University of California upon the conclusion of this offering based on the initial public offering price. This payment would be $, assuming an initial public offering price of $ per share and $ assuming an initial public offering price of $ per share.

We may terminate these agreements in whole or in part on 60 days' advance notice. The University of California may terminate these agreements if we are in default for failure to make royalty payments, required reports or fund internal research or we do not cure a breach within 60 days after being notified of the breach by the University of California. Otherwise, the agreements do not terminate until:

- the last patent claiming a product licensed under the agreement or its manufacture or use expires; or

- in the absence of patents, until the date the last patent application is abandoned, except for the TZP agreement which will expire 15 years after the signing of the agreement.

COMPETITION

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Many of our competitors, including biotechnology and pharmaceutical companies, academic institutions and other research organizations, are actively engaged in the discovery, research and development of products that could compete directly with our products under development in the fields of allergies, infectious diseases, cancer, asthma and rheumatoid arthritis. Many of the entities developing and marketing competing products have significantly greater financial resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing than us. In addition, many of these competitors have become more active in seeking patent protection and licensing arrangements. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. These entities also compete with us in recruiting and retaining qualified scientific and management personnel, as well as in acquiring technologies complementary to, or necessary for, our programs.

We expect that competition among products approved for sale will primarily be based on the efficacy, reliability, safety, price and patent position of our products. Our ability to compete effectively and develop products that can be manufactured cost-effectively and marketed successfully will depend on our ability to:

- advance our core technologies;

- license additional technology;

- maintain a proprietary position in our technologies and products;

- obtain required government and other public and private approvals on a timely basis;

- attract and retain key personnel; and

- enter into collaborations that enable us and our collaborators to develop effective products that can be manufactured cost-effectively and marketed successfully.

REGULATORY CONSIDERATIONS

The manufacturing and marketing of our potential products and our ongoing research and development activities are subject to extensive regulation by numerous governmental authorities in the

United States, Canada, France and other countries. In the United States, pharmaceutical products are subject to rigorous review by the Food and Drug Administration, or FDA, under the Federal Food, Drug and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations. If we do not comply with applicable requirements, U.S. regulatory authorities may:

- fine us;

- recall or seize our products;

- totally or partially suspend the production of our products;

- refuse to approve our marketing applications or allow us to enter into supply contracts;

- criminally prosecute us; and

- revoke previously granted marketing authorizations.

To secure FDA approval, we must submit extensive pre-clinical and clinical data and supporting information to the FDA for each indication to establish a product candidate's safety and efficacy. The approval process takes many years, requires the expenditures of substantial resources, involves post-marketing surveillance and may involve ongoing requirements for post-marketing studies. The FDA may also require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any approvals that could restrict the commercial applications of these products. The FDA may withdraw product approvals if we do not continue to comply with regulatory standards or if problems occur following initial marketing. Delays experienced during the governmental approval process may materially reduce the period during which we will have exclusive rights to exploit patented products or technologies.

Pre-clinical studies involve laboratory evaluation of product characteristics and animal studies to assess the initial efficacy and safety of the product. The FDA, under its Good Laboratory Practices regulations, regulates pre-clinical studies. Violations of these regulations can, in some cases, lead to invalidation of those studies, requiring these studies to be replicated. The results of the pre-clinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an investigational new drug application, which must be approved by the FDA before we can commence clinical investigations in humans. Unless the FDA objects to an investigational new drug application, the investigational new drug application will become effective 30 days following its receipt by the FDA.

Clinical trials involve the administration of the investigational product to humans under the supervision of a qualified principal investigator. We must conduct our clinical trials in accordance with Good Clinical Practice under protocols submitted to the FDA as part of the investigational new drug application. In addition, each clinical trial must be approved and conducted under the auspices of an investigational review board and with patient informed consent. The investigational review board will consider, among other things, ethical factors, the safety of human subjects and the possibility of liability of the institution conducting the trial.

Clinical trials are conducted in three sequential phases but the phases may overlap. Phase I clinical trials may be performed in healthy human subjects or, depending on the disease, in patients. The goal of the Phase I clinical trial is to establish initial data about the safety and tolerance of the product in humans. Phase II clinical trials evaluate, in addition to safety, the efficacy of the product in limited patients with the target disease. Phase III clinical trials typically involve additional testing for safety and clinical efficacy in expanded, large scale, multi-center studies of patients with the target disease.

We and all of our contract manufacturers are required to comply with the applicable FDA current Good Manufacturing Practice regulations. Good Manufacturing Practice regulations require quality control and quality assurance as well as the corresponding maintenance of records and documentation. The FDA must approve our manufacturing facilities before we can use them in the commercial manufacture of our products.

Outside the United States, our ability to market a product is contingent upon receiving marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Union registration procedures are available to companies wishing to market a product in more than one European Union member state. The regulatory authority generally will grant marketing authorization if it is satisfied that we have presented it with adequate evidence of safety, quality and efficacy.

We are also subject to various federal, state and local laws, regulations and recommendations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research. We cannot accurately predict the extent of government regulation that might result from any future legislation or administrative action.

EMPLOYEES

As of September 30, 2000, we had 34 full-time employees, including four Ph.D.s and two M.D.s. Of the 34 employees, 27 are dedicated to research and development activities. None of our employees are subject to a collective bargaining agreement, and we believe our relations with our employees are good.

FACILITIES

We lease approximately 11,500 square feet of laboratory and office space in Berkeley, California under a lease expiring in June 2003.

LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the name, age and position of each of our executive officers and directors as of December 1, 2000.

NAME	AGE	POSITION
EXECUTIVE OFFICERS		
Dino Dina, M.D.	54	President and Chief Executive Officer
Joseph J. Eiden, Jr., M.D., Ph.D.	51	Vice President, Medical Affairs
Andrew Gengos	36	Vice President and Chief Financial Officer
Robert L. Coffman, Ph. D.	54	Vice President and Chief Scientific Officer
Stephen F. Tuck, Ph. D.	38	Vice President, Biopharmaceutical Development
Gary Van Nest, Ph. D.	50	Vice President, Pre-clinical Research
BOARD OF DIRECTORS		
Daniel S. Janney	35	Chairman of the Board
David W. Barry, M.D.	57	Director
Louis C. Bock	35	Director
Dennis Carson, M.D.	54	Director
Dino Dina, M.D.	54	Director
Arnold Oronsky, Ph.D.	60	Director
Jeffrey D. Sollender	40	Director

BIOGRAPHICAL INFORMATION

DINO DINA, M.D.--PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR. Dr. Dina has been our President and a member of our board of directors since May 1997 and our Chief Executive Officer since May 1998. From 1982 until he joined us in 1997, Dr. Dina was an employee of Chiron Corporation, a biopharmaceutical company. At Chiron, Dr. Dina held a series of positions with increasing responsibility. He ultimately served as president of Chiron Vaccines (formerly Biocine Company), which he directed from its inception in 1987. Under Dr. Dina's direction, Chiron Vaccines received the first-ever approval of an adjuvanted influenza vaccine in Italy, successfully completed development of the first genetically engineered pertussis vaccine and conducted clinical trials for vaccines to prevent HIV, herpes simplex type II, cytomegalovirus and hepatitis B infections. The virology group he directed was responsible for several key scientific findings, including the discovery, cloning and sequencing of the hepatitis C virus and the cloning and sequencing of the viral genomes for HIV and hepatitis A viruses. Prior to joining Chiron, Dr. Dina was employed at Albert Einstein College of Medicine in Bronx, New York, as an assistant professor of genetics from 1977 to 1982. He received his M.D. from the University of Genova Medical School in Italy.

JOSEPH J. EIDEN, JR., M.D., PH.D.--VICE PRESIDENT, MEDICAL AFFAIRS. Dr. Eiden has been our Vice President, Medical Affairs since November 2000 and previously served as our Vice President, Research and Development from October 1997 to November 2000. From 1995 until he joined us in 1997, Dr. Eiden was employed by Chiron Corporation, where he was senior director of clinical research in the company's vaccine division. Prior to joining Chiron, Dr. Eiden was a director of clinical research in the Department of Infectious Diseases of Merck Research Laboratories from 1993 to 1995. At Merck, Dr. Eiden contributed to programs for the development of rotavirus and varicella vaccines. Before starting his pharmaceutical industry career, Dr. Eiden was associate professor in the Division of Infectious Diseases, Department of Pediatrics at Johns Hopkins University School of Medicine, with a principal research interest in the molecular genetics of rotaviruses. He received both his M.D. and Ph.D. in microbiology and immunology from Duke University.

ANDREW GENGOS--VICE PRESIDENT AND CHIEF FINANCIAL OFFICER. Mr. Gengos has been our Vice President and Chief Financial Officer since October 2000. From January 1999 until he joined us in 2000, Mr. Gengos was employed by Chiron Corporation, where he had served as vice president of strategy, and vice president and senior director of corporate development. From 1991 until October 1998, Mr. Gengos worked for McKinsey & Company as a consultant in its healthcare practice. In 1991, Mr. Gengos received an M.B.A. in general management with an emphasis on business strategy and finance from the Anderson School at UCLA. Mr. Gengos holds an undergraduate degree in chemical engineering from MIT.

ROBERT L. COFFMAN, PH.D.--VICE PRESIDENT AND CHIEF SCIENTIFIC OFFICER. Dr. Coffman joined Dynavax as our Vice President and Chief Scientific Officer in November 2000. Dr. Coffman joined Dynavax from the DNAX Research Institute where he had been since 1981, most recently as Distinguished Research Fellow. Prior to that, he was a postdoctoral fellow at Stanford University Medical School. Dr. Coffman has made fundamental discoveries about the regulation of immune responses in allergic and infectious diseases. He shared the William S. Coley Award for Research in Immunology for discovery of the Th1 and Th2 subsets of T lymphocytes, the cells that control most immune responses. Dr. Coffman received his Ph.D. from the University of California San Diego and his A.B. from Indiana University.

STEPHEN F. TUCK, PH.D.--VICE PRESIDENT, BIOPHARMACEUTICAL DEVELOPMENT. Dr. Tuck has been our Vice President of Biopharmaceutical Development since November 2000 and previously served as our Senior Director of Biopharmaceutical Development since joining us in November 1997. From 1992 until he joined us in 1997, Dr. Tuck was employed by Chiron Corporation, where he had served in various capacities in the Technical Affairs and Process Development departments. At Chiron, Dr. Tuck was involved in the development of Fluad-TM-, a novel adjuvanted influenza vaccine, various subunit vaccines, adjuvants and protein therapeutics. Prior to joining Chiron, Dr. Tuck was a post-doctoral fellow at Johns Hopkins University School of Medicine and the University of California, San Francisco. He has over 14 years of experience in pharmaceutical chemistry. Dr. Tuck received his Ph.D. and B.Sc. from Imperial College, University of London.

GARY VAN NEST--VICE PRESIDENT, PRE-CLINICAL RESEARCH. Dr. Van Nest has been our Vice President of Pre-clinical Research since November 2000 and previously served as our Senior Director of Pre-clinical Research since joining us in November 1997. From 1985 until he joined us in 1997, Dr. Van Nest was employed by Chiron Corporation, where he served in several positions of increasing responsibility culminating in a position as Acting Head of Vaccine Research. At Chiron, Dr. Van Nest directed the development of novel adjuvants and delivery vehicles for subunit vaccines for herpes, HIV, influenza, hepatitis B virus, hepatitis C virus and cytomegalovirus. Dr. Van Nest has authored over 40 publications. He received his Ph.D. in Biochemistry from the University of Arizona and his B.A. from the University of California, Riverside.

DANIEL S. JANNEY--CHAIRMAN OF THE BOARD. Mr. Janney has been Chairman of our board of directors since December 1996. Since February 1996, he has been employed by Alta Partners, a venture capital firm, where he is a managing director. Prior to joining Alta Partners, Mr. Janney was a vice president of Montgomery Securities' health care and biotechnology investment banking group from 1993 to 1996. In addition to his position as our Chairman of the Board, Mr. Janney also sits on the boards of directors of several private companies. He holds an M.B.A. from the Anderson School at UCLA and a B.A. from Georgetown University.

DAVID W. BARRY, M.D.--DIRECTOR. Dr. Barry has been a member of our board of directors since April 2000. Dr. Barry has served as chairman of the board and chief executive officer of Triangle Pharmaceuticals Inc., a biopharmaceutical company, since July 1995 and served as Triangle's president from July through September 1995. Prior to founding Triangle, Dr. Barry was president of The Wellcome Research Laboratories, worldwide group director of Research Development & Medical Affairs of the Wellcome Foundation and member of the Board of Directors of The Wellcome Foundation, Wellcome plc. and Burroughs Wellcome Co. Before joining Burroughs Wellcome in 1977,

Dr. Barry spent five years at the U.S. Food and Drug Administration in various capacities, including Director for the Influenza Task Force of the Bureau of Biologics and acting deputy director of the Division of Virology at the Bureau of Biologics. Dr. Barry sits on the board of directors of Molecular Biosystems Inc. a medical technology company. Dr. Barry received his M.D. and B.A. from Yale University.

LOUIS C. BOCK--DIRECTOR. Mr. Bock has been a member of our board of directors since December 1999. Mr. Bock has been a managing director with Bank of America Ventures, a venture capital firm, since September 1997. From September 1989 to September 1997, Mr. Bock was employed by Gilead Sciences, a biopharmaceutical company, where he held various positions in research, project management, business development and sales. Prior to joining Gilead, Mr. Bock was a research associate at Genentech, a biopharmaceutical company, from November 1987 to September 1989. He currently serves on the board of directors of Prolinx, a biotechnology company, Synthon, a biotechnology company, diaDexus, a genomics company, Structural GenomiX, a genomics company, and Neuron Therapeutics, a biopharmaceutical company. He holds a B.S. in Biology from California State University, Chico and an M.B.A. from California State University, San Francisco.

DENNIS CARSON, M.D.--DIRECTOR. Dr. Carson has been a member of our board of directors since December 1996. Dr. Carson is a noted researcher in the fields of autoimmune and immunodeficiency diseases and is co-discoverer with Dr. Eyal Raz of the immunostimulatory sequences that form the basis of our technology. He has played key roles in the founding of Vical, Inc., a gene therapy company, IDEC Pharmaceuticals, a biopharmaceutical company, and Triangle Pharmaceuticals. Dr. Carson is director of the Sam and Rose Stein Institute for Research on Aging and has been a professor in the Department of Medicine at the University of California, San Diego since 1995. He received his M.D. from Columbia University and his B.A. from Haverford College.

ARNOLD L. ORONSKY, PH.D.--DIRECTOR. Dr. Oronsky has been a member of our board of directors since November 1996. Dr. Oronsky is a general partner with InterWest Partners, a venture capital firm. Prior to joining InterWest Partners in 1994, Dr. Oronsky was vice president of discovery research for the Lederle Laboratories division of American Cyanamid, a pharmaceutical company. From 1973 until 1976, Dr. Oronsky was head of the inflammation, allergy and immunology research program at Ciba-Geigy Pharmaceutical Company. Dr. Oronsky also served as a senior lecturer in the Department of Medicine at The Johns Hopkins Medical School. Dr. Oronsky has won numerous grants and awards and has published over 125 scientific articles. Dr. Oronsky serves on the boards of directors of Coulter Pharmaceuticals, Inc., a biopharmaceutical company, and Corixa Corporation, a biopharmaceutical company. He received his Ph.D. from Columbia University, College of Physicians and Surgeons and his A.B. from New York University.

JEFFREY D. SOLLENDER--DIRECTOR. Mr. Sollender has been a member of our board of directors since July 1998. Mr. Sollender has been a managing member of Forward Ventures, a venture capital firm, since January 1996. Mr. Sollender is founder of and has been an advisor to Biotechvest since April 1993. Mr. Sollender also has served as acting chairman and chief executive officer of AriZeke Pharmaceuticals, a biopharmaceutical company, since July 1997. Additionally, Mr. Sollender serves on the boards of directors of Gene Logic, a genomics company, and XTL Biopharmaceuticals Ltd., a biopharmaceutical company. Prior to launching Biotechvest and joining Forward Ventures, Mr. Sollender was part of the corporate development/mergers and acquisitions team at Farley Industries and provided management consulting services to technology based companies at Booz, Allen & Hamilton. Mr. Sollender received his M.B.A. from the University of Chicago Graduate School of Business and his B.S. from the Massachusetts Institute of Technology.

SCIENTIFIC ADVISORY BOARD

Our Scientific Advisory Board is comprised of scientists and physicians specializing in the fields of allergy, immunology and infectious diseases who provide our management with specific expertise in both research and clinical development. Non-employee members of the SAB receive annual cash

compensation. The Scientific Advisory Board is chaired by Dennis Carson, M.D., who is also a member of our board of directors. In addition to Dino Dina, M.D., our President and Chief Executive Officer, and Joseph J. Eiden, Jr., M.D., Ph.D., our Vice President of Medical Affairs, our Scientific Advisory Board consists of the following individuals:

LAWRENCE M. LICHTENSTEIN, M.D., PH.D. Dr. Lichtenstein is a recognized expert in the field of allergy and immunology. He is director of the Division of Clinical Immunology at The Johns Hopkins University School of Medicine, and serves on the National Advisory Council, Allergy and Infectious Diseases of the National Institutes of Health, or NIH. Dr. Lichtenstein has served various terms at NIH since 1972 and joined The Johns Hopkins University staff in 1966. Dr. Lichtenstein has received several honors and awards for his research and has served on the editorial boards of a variety of publications, including The Journal of Allergy and Clinical Immunology and The Journal of Immunology. Dr. Lichtenstein received his M.D. from the University of Chicago and his Ph.D. in immunology from The Johns Hopkins University.

EYAL RAZ, M.D. Dr. Raz is an immunologist whose basic and applied research on immunostimulatory and immunoinhibitory DNA sequences forms the basis of our technology platform. He served as our first Chief Scientific Officer from 1996 to 1999. Dr. Raz currently is an associate professor of medicine at the University of California, San Diego. Prior to that, he was employed at Hadassah University Hospital in Jerusalem, Israel as assistant professor of medicine. He received his M.D. from the Hebrew University, Hadassah Medical School in Jerusalem, Israel in 1981.

DOUGLAS D. RICHMAN, M.D. Dr. Richman is professor of pathology and medicine (infectious diseases) at the University of California, San Diego School of Medicine and director of the Research Center on AIDS and HIV Infection of the San Diego Veterans Affairs Healthcare System. Employed by the University of California, San Diego School of Medicine since 1976, he formerly held research positions with the Beth Israel Hospital and Children's Hospital Medical Center and the Laboratory of Infectious Diseases, National Institute of Allergy and Infectious Diseases at the NIH. Dr. Richman has received a number of honors and serves on the editorial boards of several infectious disease and virology journals as well as being editor in chief of Antiviral Therapy and Improving the Management of HIV Disease (publications of the International AIDS Society). He received his M.D. from Stanford University.

ROBERT P. SCHLEIMER, PH.D. Dr. Schleimer is professor of medicine in the Department of Medicine/Division of Clinical Immunology at The Johns Hopkins University School of Medicine, where he has been employed since 1981. Dr. Schleimer was a postdoctoral fellow from 1979 to 1981 in the laboratory of Lawrence Lichtenstein, M.D., Ph.D., a Dynavax co-founder. Dr. Schleimer received his Ph.D. from the University of California, Davis.

HANS SPIEGELBERG, M.D. Dr. Spiegelberg is professor emeritus, research professor at the University of California, San Diego. He was the Head of the Division of Pediatric Immunology and Allergy, Department of Pediatrics, at the University of California, San Diego School of Medicine in La Jolla, California from 1990 to 1996. He was also a member of the Department of Immunopathology, Department of Immunology, Scripps Clinic and Research Foundation until 1990. Dr. Spiegelberg received his M.D. from the University of Basel, Switzerland.

BOARD OF DIRECTORS

Our board of directors is currently comprised of seven directors. Upon completion of this offering, our board will be divided into three classes of directors serving staggered three-year terms upon the effectiveness of this offering. As a result, our stockholders will elect approximately one-third of the board of directors each year. The classification of our board of directors, together with other provisions in our certificate of incorporation, including provisions that allow our board of directors to fill vacancies on or increase the size of our board, may delay or prevent changes in control of our board or our management.

Our board of directors has designated that Messrs. and will serve as Class I directors, whose terms expire at the 2002 annual meeting of stockholders. Messrs. and will serve as Class II directors whose terms expire at the 2003 annual meeting of stockholders. Messrs. , and will serve as Class III directors whose terms expire at the 2004 annual meeting of stockholders.

DIRECTOR COMPENSATION

Our directors who are also employees receive no additional compensation for their services as directors. Our non-employee directors do not receive a fee for attendance in person at meetings of the board of directors or committees of the board of directors, but they are reimbursed for travel expenses and other out-of-pocket costs incurred in connection with their attendance of meetings. In addition, our non-employee directors will be eligible to receive options and to be issued shares of common stock directly under our 2000 non-employee director stock option program. Non-employee directors will be granted an initial option to purchase shares of our common stock with subsequent annual option grants to purchase shares of our common stock. The exercise price per share for these options will equal the fair market value of our common stock at the date of grant. Each stock option received by our non-employee directors will vest and become exercisable over a period of four years. Our directors who are also employees are eligible to receive options and be issued shares of common stock directly under our 1997 equity incentive plan, as amended, and our 2000 stock incentive plan.

BOARD COMMITTEES

Our board of directors has established a compensation committee and an audit committee. The compensation committee, consisting of Messrs. Bock and Janney, reviews and approves the salaries, bonuses and other compensation payable to our executive officers and administers and makes recommendations concerning our employee benefit plans.

The audit committee, consisting of Messrs. Barry, Bock and Sollender, makes recommendations to our board of directors regarding the selection of independent accountants. The committee reviews the scope and results of the audit and other services provided by our independent accountants, and reviews our accounting policies and systems of internal accounting controls.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of our compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee. There are no family relationships among any of our directors or executive officers.

EXECUTIVE COMPENSATION

The following table sets information concerning compensation paid by us during the fiscal years ended December 31, 1999, 1998 and 1997, respectively, to our Chief Executive Officer and each of our four most highly compensated executive officers whose total salary, bonus and other compensation exceeded $100,000 during the fiscal year ended December 31, 1999, who we refer to in this prospectus as named executive officers. In accordance with the rules of the Securities and Exchange Commission, or the SEC, the compensation described in this table does not include perquisites and other personal benefits received by the executive officers named in the table below which do not exceed the lesser of $50,000 or 10% of the total salary and bonus reported for these executive officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY	ANNUAL COMPENSATION BONUS	LONG-TERM COMPENSATION SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION
Dino Dina, M.D.	1999	$250,000	$ --	201,322	--
President, Chief Executive Officer and	1998	250,000	50,000	374,082	--
Director	1997	178,760	--	62,346	--
Joseph J. Eiden, Jr., M.D., Ph.D.(1)	1999	175,000	40,610	114,285	$12,817
Vice President, Medical Affairs	1998	193,400	35,000	114,285	--
	1997	44,580	--	100,000	--
Gary A. Van Nest, Ph.D.	1999	145,000	32,323	57,143	--
Vice President, Pre-clinical Research	1998	143,050	29,000	57,143	--
	1997	24,300	--	57,143	--
Stephen F. Tuck, Ph.D.	1999	120,000	27,875	45,714	--
Vice President, Biopharmaceutical	1998	90,510	12,000	37,142	--
Development	1997	13,000	--	37,142	--
Philip Haworth, Ph.D.(2)	1999	100,795	--	91,428	--
Vice President of Business Development	1998	--	--	--	--
	1997	--	--	--	--

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(1) The $12,817 of other compensation represents payment of a promissory note made on Dr. Eiden's behalf.

(2) Mr. Haworth has not been employed by us since March 2000.

The following table sets forth information concerning grants of stock options to each of the executive officers named in the table above during the fiscal year ended December 31, 1999. All of these options were granted under our 1997 Equity Incentive Plan, as amended, at an exercise price equal to the fair market of our common stock at the time of grant, as determined by our board of directors. Each option vests over a period of four years and is exercisable immediately. The exercise price may in some cases be paid by delivery of other shares or by offset of the shares subject to options. The percentage of total options set forth below is based on options to purchase an aggregate of 151,062 shares of common stock granted to employees for the fiscal year ended December 31, 1999. Potential realizable values are net of exercise price, but before taxes associated with exercise. Amounts represent hypothetical gains that could be achieved for the options if exercised at the end of the option term. The assumed 5% and 10% rates of stock price appreciation are provided in accordance with the rules of the Securities and Exchange Commission and do not represent our estimate or projection of the future common stock price.

OPTIONS GRANTED IN FISCAL YEAR ENDED DECEMBER 31, 1999

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK APPRECIATION FOR OPTION TERM 5%	10%
Dino Dina, M.D.....	--	--	--	--	--	--
Joseph J. Eiden, Jr., M.D., Ph.D.....	--	--	--	--	--	--
Gary A. Van Nest, Ph.D.....	--	--	--	--	--	--
Stephen F. Tuck, Ph.D.....	8,571	6%	$0.35	3/18/09		
Philip Haworth, Ph.D.(1).....	18,285	12%	$0.35	7/30/09		

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(1) Mr. Haworth was granted 91,249 options in the fiscal year ended December 31, 1999 but, at the time Mr. Haworth terminated his employment with us, only 18,285 shares had vested.

The following table sets forth information concerning exercisable and unexercisable stock options held by each of the executive officers named in the summary compensation table at the fiscal year ended December 31, 1999. The value realized upon exercise is based on the estimated fair market value of our common stock at the time of exercise less the per share exercise price, multiplied by the number of shares acquired upon exercise. The value of unexercised in-the-money options is based on the assumed initial public offering price of $ per share less the per share exercise price, multiplied by the number of shares underlying the options. All options were granted under our 1997 equity incentive plan, as amended.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END VALUES

			NUMBER OF SECURITIES UNDERLYING OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END	
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Dino Dina, M.D.	172,759	--	185,741	188,340		
Joseph J. Eiden, Jr., M.D., Ph.D.	--	--	57,619	56,666		
Gary A. Van Nest, Ph.D.	--	--	23,809	33,334		
Stephen F. Tuck, Ph.D.	--	--	24,047	21,667		
Philip Haworth, Ph.D.	--	--	--	91,429		

MANAGEMENT CONTINUITY AGREEMENTS

In July 2000, October 2000 and November 2000, we entered into management continuity agreements with Dr. Dino Dina, our President and Chief Executive Officer, Andrew Gengos, our Vice President and Chief Financial Officer, and Robert L. Coffman, Ph.D. our Vice President and Chief Scientific Officer, respectively. Under these agreements, we agreed to accelerate the vesting of any stock options held by them by two years as of and upon a change in control of our company. In addition, if either Dr. Dina, Mr. Gengos or Dr. Coffman is involuntarily terminated other than for cause within 24 months following a change in control of our company, then any stock options held by them will fully vest as of the date of the termination.

EMPLOYEE BENEFIT PLANS

1997 EQUITY INCENTIVE PLAN

The 1997 equity incentive plan was approved by our board of directors and our shareholders in January 1997. We currently have a total of 1,967,788 shares of common stock reserved for issuance under the 1997 plan. As of September 30, 2000, options to purchase 973,707 shares of common stock had been exercised, options to purchase 171,396 shares of common stock were outstanding and 822,685 options to purchase shares of common stock remained available for grant. As of September 30, 2000, the outstanding options were exercisable at a weighted average exercise price of approximately $0.47 per share. Outstanding options to purchase an aggregate of 120,536 shares were held by employees and consultants who are not officers or directors of our company.

As of the consummation of our initial public offering, all options granted under the 1997 plan that expire without having been exercised or are cancelled will become available for grant under the 2000 stock incentive plan. The 1997 plan will terminate in 2007, unless terminated earlier by our board of directors. Awards under the 1997 plan may consist of restricted stock, incentive stock options, which are stock options that qualify under Section 422 of the Internal Revenue Code, or non-qualified stock options, which are stock options that do not qualify under Section 422 of the Internal Revenue Code.

Under the 1997 plan, the board may grant incentive stock options to employees, including officers and employee directors. Non-qualified stock options and restricted stock may be granted to employees, directors, and consultants. The board of directors or a committee designated by the board administers our 1997 plan, including selecting the optionees, determining the number of shares to be subject to each option, determining the exercise price of each option and determining the vesting and exercise

periods of each option. The exercise price of all incentive stock options granted under our 1997 plan must be at least equal to the fair market value of the common stock on the date of grant. The exercise price of all nonstatutory stock options granted under our 1997 plan shall be determined by the board, but in no event may be less than 85% of the fair market value on the date of grant unless otherwise determined by the board. With respect to any participant who owns stock possessing more than 10% of the voting power of all our classes of stock, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of any these options must not exceed five years. The maximum term of an incentive stock option granted to any participant who does not own stock possessing more than 10% of the voting power of all our classes of stock must not exceed ten years. The term of all other awards granted under our 1997 plan will be determined by the board.

If an optionee's status as an employee or consultant terminates for any reason other than death or disability, the optionee may exercise their exercisable options within the three-month period following the termination. In the event the optionee dies while the optionee is an employee or consultant of our company, the options vested as of the date of death may be exercised prior to the earlier of their expiration date or 18 months from the date of the optionee's death. In the event the optionee becomes disabled while the optionee is an employee or consultant of our company, the options vested as of the date of disability may be exercised prior to the earlier of their expiration date or 12 months from the date of the optionee's disability.

In general, none of the options will be subject to accelerated vesting in the event of:

- a dissolution, liquidation or sale of all or substantially all of the assets of the company;

- a merger or consolidation in which our company is not the surviving entity; or

- a reverse merger in which the company is the surviving corporation but the shares of our common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property where the acquiring or surviving entity assumes or replaces options granted under the 1997 plan.

However, we have some agreements that provide for accelerated vesting in the event the acquiring or surviving entity does not assume or replace options granted under the 1997 plan, all of these options become fully vested.

The 1997 plan will terminate automatically in 2007 unless terminated earlier by our board of directors. The board of directors has the authority to amend or terminate the 1997 plan, subject to stockholder approval of some amendments. However, no action may be taken which will affect any shares of common stock previously issued and sold or any option previously granted under the 1997 plan, without the optionee's consent.

2000 STOCK INCENTIVE PLAN

Our board of directors will adopt the 2000 stock incentive plan in December 2000. We expect to receive stockholder approval prior to the effectiveness of this offering. Our 2000 stock incentive plan will provide for the grant of:

- incentive stock options to our employees, including officers and employee directors;

- non-qualified stock options to our employees, directors and consultants; and

- other types of awards.

Initially, we intend to reserve 3,000,000 shares of our common stock for issuance under the 2000 stock incentive plan. The number of shares initially reserved will be increased by the number of shares reserved under our 1997 plan and available for grant as of the date of the closing of this offering, and represented by awards under the 1997 plan that are forfeited, expire or are cancelled following the adoption of the 2000 stock incentive plan. Commencing on the first day of our fiscal year beginning in

2001, the number of shares of stock reserved for issuance under the 2000 stock incentive plan (including issuance as incentive stock options) will be increased annually by the lesser of:

- 5% of the total number of shares outstanding as of that date; or

- a number of shares determined by the board.

After the adoption of the 2000 stock incentive plan, we anticipate that all future option grants will be made solely under the 2000 stock incentive plan. The board of directors or a committee designated by the board will administer our 2000 stock incentive plan, including selecting the optionees, determining the number of shares to be subject to each option, determining the exercise price of each option and determining the vesting and exercise periods of each option. The exercise price of all incentive stock options granted under our 2000 stock incentive plan must be at least equal to the fair market value of the common stock on the date of grant. The exercise price of all nonstatutory stock options granted under our 2000 stock incentive plan will be determined by the board, but in no event may this price be less than 85% of the fair market value on the date of grant unless otherwise determined by the board. With respect to any participant who owns stock possessing more than 10% of the voting power of all our classes of stock, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of any these options must not exceed five years. The maximum term of an incentive stock option granted to any participant who does not own stock possessing more than 10% of the voting power of all our classes of stock must not exceed ten years. The term of all other awards granted under our 2000 stock incentive plan will be determined by the board.

Except as determined by the board, an option holder's initial grant will vest 25% at the first anniversary date and monthly thereafter, so that the option will be fully exercisable four years after its date of grant. Subsequent options will vest in the same manner.

In the event a participant in our 2000 stock incentive plan terminates employment, or is terminated by us for any reason, any options which have become exercisable prior to the time of termination, shall remain exercisable for 12 months from the date of termination if termination was caused by death or disability, or three months from the date of termination if termination was caused by reasons other than death or disability.

In the event of a corporate transaction or a change of control where the acquiror assumes or replaces options granted under the 2000 stock incentive plan, options issued under the 2000 stock incentive plan will not be subject to accelerated vesting under the plan unless provided otherwise by agreement with the option holder. In the event of a corporate transition or change in control where the acquiror does not assume or replace options already granted under the 2000 stock incentive plan, all outstanding options under the 2000 stock incentive plan will vest in their entirety unless our board of directors determines otherwise. However, assumed or replaced options will automatically become fully vested if the grantee is terminated by the acquiror without cause or terminates employment for good reason within 12 months of a corporate transaction or a change of control. In the event of a corporate transaction or a change of control where the acquiror does not assume or replace options granted under the 2000 stock incentive plan, all of these options become fully vested upon the consummation of the corporate transaction or change or control. Under the 2000 stock incentive plan, a corporate transaction or a change in control is defined as:

- acquisition of 50% or more of our stock by any individual or entity including by tender offer or a reverse merger;

- a change of a majority of the members on our board of directors;

- a merger or consolidation in which our company is not the surviving entity; or

- approval by our stockholders of a plan of complete liquidation.

Unless terminated sooner, our 2000 stock incentive plan will automatically terminate in 2010. Our board of directors will have authority to amend or terminate our 2000 stock incentive plan, provided

that such an action would not impair the rights of any participant without the written consent of that participant.

2000 NON-EMPLOYEE DIRECTOR OPTION PROGRAM

Our board of directors will adopt the 2000 non-employee director option program as part of the 2000 stock incentive plan and it will be subject to the terms and conditions of the 2000 stock incentive plan. Our 2000 non-employee director stock option program was approved by our board of directors in December , 2000. The 2000 non-employee director stock option program will become effective as of the effective date of this prospectus, and no awards will be made under this program until that time.

The purpose of the 2000 non-employee director stock option program will be to enhance our ability to attract and retain the best available non-employee directors, to provide them additional incentives and, therefore, to promote the success of our business.

The 2000 non-employee director stock option program will establish an automatic option grant program for the grant of awards to non-employee directors. Under this program, each non-employee director first elected to our board of directors following the closing of this offering will automatically be granted an option to acquire 10,000 shares of our common stock at an exercise price per share equal to the fair market value of our common stock at the date of grant. These options will vest and become exercisable in four equal installments on each anniversary of the grant date. Upon the date of each annual stockholders' meeting, each non-employee director who has been a member of our board of directors for at least six months prior to the date of the stockholders' meeting will receive an automatic grant of options to acquire 2,500 shares of our common stock at an exercise price equal to the fair market value of our common stock at the date of grant. These options will vest and become fully exercisable on the first anniversary of the grant date.

The term of each automatic option grant and the extent to which it will be transferable will be provided in the agreement evidencing the option. The consideration for the option may consist of cash, check, shares of our common stock, the assignment of part of the proceeds from the sale of shares acquired upon exercise of the option or any combination of these forms of consideration.

The 2000 non-employee director stock option program will be administered by the board or a committee designated by the board made up of two or more non-employee directors so that such awards would be exempt from Section 16(b) of the Exchange Act. The program administrator shall determine the terms and conditions of awards, and construe and interpret the terms of the program and awards granted under the program. Non-employee directors may also be granted additional incentives, subject to the discretion of the board or the committee.

Unless terminated sooner, the 2000 non-employee director stock option program will terminate automatically in 2010 when the 2000 stock incentive plan terminates. Our board of directors will have the authority to amend, suspend or terminate the 2000 non-employee director stock option program provided that no such action may affect awards to non-employee directors previously granted under the program unless agreed to by the affected non-employee directors.

2000 EMPLOYEE STOCK PURCHASE PLAN

The board of directors and our stockholders intend to approve our 2000 employee stock purchase plan in December 2000. Our employee stock purchase plan will be intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code in order to provide our employees with an opportunity to purchase common stock through payroll deductions. An aggregate of 900,000 shares of common stock will be reserved for issuance and will be available for purchase under our employee stock purchase plan, pending adjustment for a stock split, or any future stock dividend or other similar change in our common stock or our capital structure. The employee stock purchase plan

will provide for annual increases in the number of shares of common stock subject to the plan equal to the lesser of:

- 450,000 shares;

- 2% of the total number of shares outstanding as of that date; or

- a number of shares as determined by the compensation committee.

All of our employees who are regularly employed for more than five months in any calendar year and work more than 20 hours per week will be eligible to participate in our employee stock purchase plan and will be automatically enrolled in the initial offer period. Employees hired after the consummation of our initial public offering will be eligible to participate in our employee stock purchase plan, subject to a ten day waiting period after hiring. Non-employee directors, consultants, and employees subject to the rules or laws of a foreign jurisdiction that prohibit or make impractical their participation in a employee stock purchase plan will not be eligible to participate in our employee stock purchase plan.

Our employee stock purchase plan will designate offer periods, purchase periods and exercise dates. Offer periods will generally be overlapping periods of 24 months. The initial offer period will begin on the effective date of our employee stock purchase plan, which is the effective date of the registration statement relating to this offering, and ends on February 14, 2002. Additional offer periods will commence each February 15 and August 15. Purchase periods will generally be six month periods, with the initial purchase period commencing on the effective date of our employee stock purchase plan and ending on August 14, 2001. Thereafter, purchase periods will commence each February 15 and August 15. Exercise dates are the last day of each purchase period. In the event we merge with or into another corporation, sell all or substantially all of our assets, or enter into other transactions in which all of our shareholders before the transaction own less than 50% of the total combined voting power of our outstanding securities following the transaction, the administrator of our employee stock purchase plan may elect to shorten the offer period then in progress.

On the first day of each offer period, a participating employee will be granted a purchase right. A purchase right is a form of option to be automatically exercised on the forthcoming exercise dates within the offer period during which authorized deductions are to be made from the pay of participants and credited to their accounts under our employee stock purchase plan. When the purchase right is exercised, the participant's withheld salary is used to purchase shares of common stock. The price per share at which shares of common stock are to be purchased under our employee stock purchase plan during any purchase period is the lesser of:

- 85% of the fair market value of the common stock on the date of the grant of the option, which is the commencement of the offer period; or

- 85% of the fair market value of the common stock on the exercise date, which is the last day of a purchase period.

The participant's purchase right is exercised in this manner on each exercise date arising in the offer period unless, on the first day of any purchase period, the fair market value of the common stock is lower than the fair market value of the common stock on the first day of the offer period. If so, the participant's participation in the original offer period is terminated, and the participant is automatically enrolled in the new offer period effective the same date.

Payroll deductions may range from 1% to 10% in whole percentage increments of a participant's regular base pay, including bonuses, overtime, shift-premiums and commissions and excluding, reimbursements and other expense allowances. Participants may not make direct cash payments to their accounts. The maximum number of shares of common stock that any employee may purchase under our employee stock purchase plan during a purchase period is 500 shares. The Internal Revenue Code imposes additional limitations on the amount of common stock that may be purchased during any calendar year.

Our employee stock purchase plan will be administered by our board of directors or a committee designated by our board, which will have the authority to terminate or amend our employee stock

purchase plan, subject to specified restrictions, and otherwise to administer our employee stock purchase plan and to resolve all questions relating to the administration of our employee stock purchase plan.

401(k) PLAN

In September 1997, we implemented a 401(k) plan covering some of our employees. Under the 401(k) plan, eligible employees may elect to reduce their current compensation up to the prescribed annual limit, which was $10,500 in 2000, and contribute these amounts to the 401(k) plan. We may make contributions to the 401(k) plan on behalf of eligible employees. Employees become fully vested in these contributions immediately, subject to limitations on access to the contributions during the duration of employment. The 401(k) plan is intended to qualify under Section 401 of the Internal Revenue Code so that contributions by employees or by us to the 401(k) plan, and income earned on the 401(k) plan contributions, are not taxable to employees until withdrawn from the 401(k) plan, and so that contributions by us, if any, will be deductible by us when made. The trustee under the 401(k) plan, at the direction of each participant, invests the 401(k) plan employee salary deferrals in selected investment options. We made no contributions to the 401(k) plan in 1997, 1998 or 1999. We expect to make contributions to the 401(k) plan in the future.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

We intend to reincorporate in Delaware in December 2000. Our certificate of incorporation and bylaws will provide that we will indemnify all of our directors and officers to the fullest extent permitted by Delaware law. Our certificate of incorporation and bylaws also authorize us to indemnify our employees and other agents, at our option, to the fullest extent permitted by Delaware law. We intend to enter into agreements to indemnify our directors and officers, in addition to indemnification provided for in our charter documents. These agreements, among other things, will provide for the indemnification of our directors and officers for expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any person in any action or proceeding, including any action by or in the right of our company, arising out of that person's services as a director or officer of our company or any other company or enterprise to which that person provides services at our request to the fullest extent permitted by applicable law. We believe that these provisions and agreements will assist us in attracting and retaining qualified persons to serve as directors and officers.

Delaware law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law for liability arising under Section 174 of the Delaware General Corporation Law, or for any transaction from which the director derived an improper personal benefit. Our certificate of incorporation will provide for the elimination of personal liability of a director for breach of fiduciary duty, as permitted by Delaware law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of our company in accordance with the provisions contained in our charter documents, Delaware law or otherwise, we have been advised that in the opinion of the SEC this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of our company in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act, and we will follow the court's determination.

We intend to purchase and maintain insurance on behalf of our officers and directors, insuring them against liabilities that they may incur in such capacities or arising out of this status.

REINCORPORATION

We intend to reincorporate in Delaware in December 2000, and our existing shareholders will receive shares of common stock and preferred stock of the Delaware corporation in exchange for their shares of common stock and preferred stock of the California corporation. In connection with the closing of this offering, shares of Series A, Series B, Series C, Series R, Series S-1 and Series T preferred stock will automatically convert into shares of common stock.

PRIVATE PLACEMENT TRANSACTIONS

In July 1998, we issued and sold an aggregate of 5,161,584 shares of our Series B preferred stock at $3.20 per share to 16 investors, including 1,249,023 shares to Bank of America Ventures and its affiliate, 780,639 shares to InterWest Partners V, L.P. and its affiliate, 780,639 shares to Alta California Partners, L.P. and its affiliate and 780,637 shares to Sanderling Venture Partners IV, L.P. and its affiliates.

In April 2000, in connection with a license agreement, we issued and sold an aggregate of 228,571 shares of our Series T preferred stock at $8.75 per share to Triangle Pharmaceuticals. David W. Barry, M.D., who is Triangle's chairman of the board and chief executive officer, is a member of our board of directors.

Between June and September 2000, we issued and sold an aggregate of 2,953,554 shares of our Series C preferred stock at $7.00 per share to 41 investors, including 142,856 shares to Alta California Partners, L.P. and its affiliate, 142,856 shares to InterWest Partners V, L.P. and its affiliate, 142,854 shares to Sanderling Venture Partners IV, L.P. and its affiliates and 107,142 shares to Bank of America Ventures and its affiliate.

TRANSACTIONS WITH DIRECTORS, EXECUTIVE OFFICERS AND AFFILIATES

In October 2000, we loaned Andrew Gengos, our Vice President and Chief Financial Officer, $100,000. This loan has a term of five years and bears interest at 6.09% per annum.

In September 2000, we loaned Dino Dina, M.D., our President and Chief Executive Officer, $190,463 in connection with Dr. Dina's exercise of a stock option. In connection with this loan, Dr. Dina executed a stock pledge agreement and a secured promissory note that has a term of five years and bears interest at 6.22% per annum.

In December 1998, we entered into a research agreement with the Regents of the University of California, on behalf of the University of California, San Diego under which we agreed to fund a research project aimed at uncovering new potential and novel applications for ISS. This research agreement was amended twice in December 1999. We agreed to fund the project in the amounts of $807,473 in 1999, $948,480 in 2000, $986,419 in 2001, $1,025,876 in 2002 and $1,066,911 in 2003. The principal investigator of the research project is Dr. Eyal Raz, a holder of 803,061 shares of our common stock, and the university-nominated representative on the evaluation committee created to oversee aspects of this agreement is Dr. Dennis Carson, a holder of 803,061 shares of our common stock and a member of our board of directors.

We have entered into agreements with holders of our preferred stock whereby we granted them registration rights with respect to their shares of common stock, including common stock issuable upon conversion of their preferred stock.

We intend to enter into indemnification agreements with each of our directors and officers. These indemnification agreements will require us to indemnify these individuals to the fullest extent permitted by Delaware law.

We believe that all of the transactions set forth above were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. We intend that all future transactions, including loans, between us and our officers, directors, principal stockholders and their affiliates will be approved by a majority of our board of directors, including a majority of the independent and disinterested outside directors on our board of directors, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of September 30, 2000 by:

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

The beneficial ownership is calculated based on 15,474,048 shares of our common stock issued and outstanding as of September 30, 2000, assuming the conversion of all outstanding shares of preferred stock into common stock, which will occur automatically upon the effectiveness of this offering, and shares outstanding immediately following the completion of this offering. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares issuable upon the exercise of options that are currently exercisable or become exercisable within 60 days of September 30, 2000 are considered outstanding for the purpose of calculating the percentage of outstanding shares of our common stock held by the individual, but not for the purpose of calculating the percentage of outstanding shares of our common stock held by any other individual. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

Except as otherwise noted, the address person or entity is c/o Dynavax Technologies Corporation, 717 Potter Street, Suite 100, Berkeley, California 94710.

	BEFORE THE OFFERING		AFTER THE OFFERING
NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE BENEFICIALLY OWNED	PERCENTAGE BENEFICIALLY OWNED
5% STOCKHOLDERS			
Alta California Partners, L.P.(1) ..... One Embarcadero Center, Suite 4050 San Francisco, CA 94111	2,066,351	13.4%	
InterWest Partners V, L.P.(2) ..... 3000 Sand Hill Road Building 3, Suite 225 Menlo Park, CA 94025-7112	2,066,351	13.4%	
Sanderling Venture Partners IV, L.P.(3) .... 2730 Sand Hill Road, Suite 200 Menlo Park, CA 94025-7067	2,066,345	13.4%	
Bank of America Ventures(4) ..... 950 Tower Lane, Suite 700 Foster City, CA 94404	1,356,165	8.8%	
Eyal Raz.....	803,061	5.2%	
EXECUTIVE OFFICERS AND DIRECTORS			
Daniel S. Janney(5).....	2,066,351	13.4%	
Arnold L. Oronsky(6).....	2,066,351	13.4%	
Jeffrey D. Sollender(7).....	1,621,464	10.5%	
Louis C. Bock(8).....	1,356,165	8.8%	
Dennis Carson.....	803,061	5.2%	

EXECUTIVE OFFICERS AND DIRECTORS (CONTINUED)	BEFORE THE OFFERING		AFTER THE OFFERING
	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE BENEFICIALLY OWNED	PERCENTAGE BENEFICIALLY OWNED
Dino Dina, M.D.(9)	545,510	3.5%	
David W. Barry, M.D.(10)	242,285	1.6%	
Joseph J. Eiden, Jr., M.D., Ph.D.(11)	171,428	1.1%	
Andrew Gengos(12)	157,142	1.0%	
Robert L. Coffman, Ph.D.(13)	142,857	*	
Gary A. Van Nest, Ph.D.(14)	125,714	*	
Stephen F. Tuck, Ph.D.(15)	114,285	*	
Philip Haworth	18,285	*	
All executive officers and directors as a group (12 persons)(16)	9,430,898	59.3%	

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* Less than 1%.

(1) Represents 2,017,673 shares held by Alta California Partners, L.P. and 48,678 shares held by Alta Embarcadero Partners, LLC.

(2) Represents 2,053,439 shares held by InterWest Partners V, L.P. and 12,912 shares held by InterWest Investors V.

(3) Represents 1,051,636 shares held by Sanderling Venture Partners IV, L.P., 410,270 shares held by Sanderling IV Limited Partnership, L.P., 116,677 shares held by Sanderling Feri Trust Venture Partners IV, 409,395 shares held by Sanderling IV Biomedical, L.P., 42,857 shares held by Sanderling IV Biomedical Co-Investment Fund, L.P., 21,428 shares held by Sanderling Venture Partners IV Co-Investment Fund, L.P., 1,758 shares held by Sanderling IV Venture Management, 6,162 shares held by Sanderling Management Company, LLC Retirement Trust FBO Robert McNeil and 6,162 shares held by Sanderling Ventures Management IV FBO Fred Middleton.

(4) Represents 1,152,741 shares held by Bank of America Ventures and 203,424 shares held by BA Venture Partners IV.

(5) Represents shares held by Alta California Partners, L.P. and its affiliate. Mr. Janney is a limited partner in Alta California Management Partners, L.P., which is the general partner of Alta California Partners, L.P. Mr. Janney disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(6) Represents shares held by InterWest Partners V, L.P. and its affiliate, of which Dr. Oronsky is a general partner. Dr. Oronsky disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(7) Represents 711,239 shares held by Forward Ventures III L.P. and its affiliate, of which Mr. Sollender is a partner, 228,571 shares held by Liam Biotechvest L.L.C., 624,512 shares held by Biotechvest L.L.C. and 57,142 shares held by Biotechvest L.P., each of which Mr. Sollender acts as an advisor. Mr. Sollender disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(8) Represents shares held by Bank of America Ventures and its affiliate, of which Mr. Bock is a managing director. Mr. Bock disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(9) Includes 252,615 shares of common stock subject to repurchase by us as of September 30, 2000. Also includes 372,750 shares held by the Dino Dina 1999 Revocable Trust, of which Dr. Dina is trustee, 5,714 shares held by the Stefania Dina Irrevocable Trust, created by Declaration of Trust

date March 2, 2000, of which Dr. Dina is trustee, 5,714 shares held by the Francesco Dina Irrevocable Trust, created by Declaration of Trust dated March 2, 2000, of which Dr. Dina is trustee and 14,285 shares held by the Jordan Monarchmont Irrevocable Trust, created by Declaration of Trust dated March 2, 2000, of which Dr. Dina is trustee.

(10) Includes 228,571 shares held by Triangle Pharmaceuticals, of which Dr. Barry is chairman of the board and chief executive officer. Dr. Barry disclaims beneficial ownership of these shares. Includes options to purchase 13,714 shares of common stock exercisable within 60 days of September 30, 2000.

(11) Includes 38,333 shares of common stock subject to repurchase by us as of September 30, 2000 and options to purchase 71,428 shares of common stock exercisable within 60 days of September 30, 2000.

(12) Includes 142,857 shares of common stock subject to repurchase by us as of September 30, 2000.

(13) Includes options to purchase 142,857 shares of common stock exercisable within 60 days of September 30, 2000.

(14) Includes 30,924 shares of common stock subject to repurchase by us as of September 30, 2000 and options to purchase 57,142 shares of common stock exercisable within 60 days of September 30, 2000.

(15) Includes 22,924 shares of common stock subject to repurchase by us as of September 30, 2000 and options to purchase 57,142 shares of common stock exercisable within 60 days of September 30, 2000.

(16) Includes 487,653 shares of common stock subject to repurchase by us and options to purchase 342,283 shares of common stock exercisable within 60 days of September 30, 2000.

DESCRIPTION OF CAPITAL STOCK

Following the closing of this offering, our certificate of incorporation authorizes the issuance of up to 60,000,000 shares of common stock, par value $0.001, and 6,000,000 shares of preferred stock, par value $0.001, the rights and preferences of which may be established from time to time by our board of directors. As of September 30, 2000, after giving effect to the conversion of all of our preferred stock, 15,474,048 shares of common stock were outstanding. As of September 30, 2000, we had 47 stockholders. The following description of our capital stock is subject to, and qualified in its entirety by, the provisions of our certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus is a part, and by the provisions of applicable law.

COMMON STOCK

The holders of our common stock are entitled to one vote for each share held of record upon such matters and in such manner as may be provided by law. Subject to preferences applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared by our board of directors out of funds legally available for dividend payments. In the event we liquidate, dissolve or wind up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and liquidation preferences of any outstanding shares of the preferred stock. Holders of common stock have no preemptive rights or rights to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

PREFERRED STOCK

Upon the closing of this offering, we will be authorized to issue 6,000,000 shares of preferred stock that will not be designated as a particular class. Our board of directors will have authority to issue the undesignated preferred stock in one or more series and to determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued series of undesignated preferred stock and to fix the number of shares constituting any series and the designation of the series, without any further vote or action by our stockholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

REGISTRATION RIGHTS

Under the terms of agreements with some of our stockholders, after the closing of this offering, a number of holders of shares of our common stock will be entitled to registration rights with respect to their shares. Beginning 180 days after this offering, a number of holders may require us to register all or part of their shares. In addition, some holders may require us to include their shares in future registration statements that we file and may require us to register their shares on Form S-3 or similar form. Furthermore, beginning 180 days after this offering, some holders of our common stock may also require us to include their shares in future registration statements that we file. Upon registration, these shares will be freely tradable in the public market without restriction.

All expenses in effecting these registrations, with the exception of underwriting discounts and selling commissions, will be borne by us. These registration rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration. We have agreed to indemnify the holders of these registration rights, and

each selling holder has agreed to indemnify us, against liabilities under the Securities Act, the Securities Exchange Act or other applicable federal or state law.

WARRANTS

In September 1997, we issued a warrant to purchase an aggregate of 10,285 shares of our common stock at an exercise price of $2.19 per share.

ANTI-TAKEOVER PROVISIONS

Following our reincorporation in Delaware, provisions of Delaware law and our certificate of incorporation and bylaws could make our acquisition by means of a tender offer, a proxy contest or otherwise, and the removal of incumbent officers and directors more difficult. These provisions are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweighs the disadvantages of discouraging proposals, including proposals that are priced above the then current market value of our common stock, because, among other things, negotiation of these proposals could result in an improvement of their terms.

DELAWARE LAW

Following our reincorporation in Delaware, we will be subject to Section 203 of the Delaware General Corporation Law. Under this provision, we may not engage in any business combination with any interested stockholder for a period of three years following the date that stockholder became an interested stockholder, unless:

- prior to that date the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock outstanding at the time the transaction began; or

- on or following that date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

CERTIFICATE OF INCORPORATION AND BYLAWS

Following our reincorporation in Delaware, our certificate of incorporation and bylaws will contain provisions that could have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control of our company.

Our certificate of incorporation and bylaws will provide that our board of directors will be divided into three classes of directors, as nearly equal in number as is reasonably possible, serving staggered terms so that directors' initial terms will expire at the first, second and third succeeding annual meeting of the stockholders following our initial public offering, respectively. At each such succeeding annual meeting, directors elected to succeed those directors whose terms are expiring at the meeting shall be elected for a three-year term of office. A vote of at least 80% of our capital stock would be required to amend this provision.

Our certificate of incorporation and bylaws will provide that special meetings of the stockholders may be called only by our president, our secretary or at the direction of the board. Advance written notice is required, which generally must be received by the secretary not less than 30 days nor more than 60 days prior to the meeting, by a stockholder of a proposal or director nomination that the stockholder desires to present at a meeting of stockholders. Any amendment of this provision would require a vote of at least 80% of our capital stock. Our charter documents also provide that our stockholders will not be permitted to act by written consent.

Our certificate of incorporation and bylaws will not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in the board and, as a result, may have the effect of deterring a hostile takeover or delaying or preventing changes in control or management of our company.

Our certificate of incorporation and bylaws will provide that vacancies on our board may be filled by a majority of directors in office, although less than a quorum, and not by the stockholders.

Our certificate of incorporation and bylaws will allow us to issue up to 6,000,000 shares of undesignated preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, this issuance could have the effect of decreasing the market price of the common stock, as well as having the anti-takeover effect discussed above.

These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by them, and to discourage certain types of transactions that may involve an actual or threatened change in control of our company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discouraging certain tactics that may be used in proxy fights. However, these provisions could have the effect of discouraging others from making tender offers for our shares that could result from actual or rumored takeover attempts. These provisions also may have the effect of preventing changes in our management.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is . Its address is and its telephone number is ( ) - .

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have shares of common stock outstanding (or shares if the underwriters' over-allotment option is exercised in full) of which will be "restricted shares." These shares will be eligible for sale in the public market as follows:

NUMBER OF SHARES	DATE
.....	After 90 days from the date of this prospectus
.....	After 180 days from the date of this prospectus (subject, in some cases, to volume limitations)
.....	Periodically thereafter

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares for at least one year is entitled to sell, within any three-month period commencing 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock; or

- the average weekly trading volume during the four calendar weeks preceding the sale, subject to the filing of a Form 144 with respect to the sale.

A person who is not deemed to have been an affiliate of ours at any time during the 90 days immediately preceding the sale and who has beneficially owned his or her shares for at least two years is entitled to sell his or her shares under Rule 144(k) without regard to the limitations described above. Persons deemed to be affiliates must always sell under the limitations imposed by Rule 144, even after the applicable holding periods have been satisfied.

We are unable to estimate the number of shares that will be sold under Rule 144 because this will depend on the market price for our common stock, the personal circumstances of the sellers and other factors. Prior to the offering, there was no public market for our common stock, and we cannot assure you that a significant public market for the common stock will develop or be sustained after the offering. Any future sale of substantial amounts of the common stock in the open market may adversely affect the market price of the common stock offered by this prospectus.

Our company and our directors, executive officers, stockholders with registration rights and other stockholders and option holders have agreed, under the purchase agreement and other agreements, that they will not sell any common stock owned by them at the commencement of this offering without the prior written consent of Banc of America Securities LLC for a period of 180 days from the date of this prospectus, except that we may, without consent, grant options and sell shares under our stock plans. Banc of America Securities LLC may give its consent to sales at any time without public notice.

Any employee or consultant who purchased his or her shares under a written compensatory plan or contract is entitled to rely on the resale provisions of Rule 701, which permits nonaffiliates to sell their Rule 701 shares without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144 and permits affiliates to sell their Rule 701 shares without having to comply with the Rule 144 holding period restrictions, in each case commencing 90 days after the date of this prospectus. As of September 30, 2000, the holders of options to purchase approximately shares of common stock will be eligible to sell their shares upon the expiration of the 180-day lockup period, subject to the vesting of those options.

We intend to file a registration statement on Form S-8 under the Securities Act of 1933, as amended, as soon as practicable after the completion of this offering to register shares of common stock subject to outstanding stock options or reserved for issuance under our stock plans. This registration will permit the resale of these shares by nonaffiliates in the public market without restriction under the Securities Act, upon completion of the lock-up period described above. Shares registered under the Form S-8 registration statement held by affiliates will be subject to Rule 144 volume limitations.

UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC and UBS Warburg LLC are the representatives of the underwriters and will negotiate on behalf of the underwriters and enter into an underwriting agreement with us. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to each of the underwriters, and each of the underwriters has agreed to purchase, the number of shares of common stock listed next to its name in the following table:

UNDERWRITERS	NUMBER OF SHARES
Banc of America Securities LLC	
UBS Warburg LLC	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement. The conditions contained in the underwriting agreement include, among others, the requirements that:

- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets;
- we deliver to the underwriters customary closing documents such as various certificates and opinions of counsel; and
- this registration statement has been declared effective by the SEC.

The underwriting agreement also provides that the underwriters are obligated to purchase all of the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below.

The underwriters initially will offer shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow to some dealers a concession of not more than $ per share. The underwriters also may allow, and any other dealers may reallow, a concession of not more than $ per share to some other dealers. If all the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The common stock is offered under a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters; and
- the right to reject orders in whole or in part.

We have granted an option to the underwriters to buy up to additional shares of common stock. These additional shares would cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters may exercise this option at any time within 30 days of the date of this prospectus. If the underwriters exercise this option, they will each purchase additional shares approximately in proportion to the amounts specified in the table above, subject to a number of terms and conditions.

The following table shows the per share and total underwriting discounts and commissions to be paid by us to them. The amounts are shown assuming no exercise and full exercise of the underwriters' option to purchase additional shares.

	NO EXERCISE	FULL EXERCISE
Per share underwriting discounts and commissions	$	$
Total underwriting discounts and commissions to be paid by us		

The expenses of the offering, not including underwriting discounts and commissions are estimated to be approximately $ and will be paid by us.

Two affiliates of Banc of America Securities LLC beneficially own 1,152,741 and 203,424 shares of our common stock, respectively.

We, our officers and directors and substantially all of our stockholders, warrant holders and option holders have entered into lock-up agreements with the underwriters. Under those agreements, we and those holders of stock, options and warrants may not dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock, subject to limited exceptions. These restrictions will be in effect for a period ending 180 days after the date of this prospectus. At any time and without notice, Banc of America Securities LLC may, in its sole discretion, release all or some of the securities from these lock-up agreements.

We have agreed to indemnify the underwriters against liabilities, including liabilities for misstatements and omissions under the Securities Act of 1933 and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between us and the underwriters. The primary factors to be considered in those negotiations will be:

- our history and prospects, and the history and prospects of the industry in which we compete;
- our past and present financial performance;
- an assessment of our management;
- the present state of our development;
- our prospects for future earnings;
- the prevailing market conditions of the applicable U.S. securities market at the time of this offer;
- market valuations of publicly traded companies that we and the representatives believe to be comparable to us; and
- other factors deemed relevant, such as the evaluation of the above factors in relation to the market valuation of companies in related businesses.

We have applied to have our common stock listed for quotation on the Nasdaq National Market under the symbol "DVAX."

In connection with this offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include:

- short sales,
- stabilizing transactions, and
- purchases to cover positions created by short sales.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters also may impose a penalty bid. This means that if the representatives purchase shares in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

As a result of these activities, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the Nasdaq National Market, in the over-the counter market or otherwise.

A prospectus in electronic format may be made available on the Web sites maintained by one or more underwriters or securities dealers. The representatives of the underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distribution will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

The underwriters, at our request, have reserved for sale to our employees, affiliates and strategic partners at the initial public offering price up to % of the shares being offered by this prospectus. The sale of these reserved shares to our employees, affiliates and strategic partners will be made by Banc of America Securities LLC. We do not know if our employees, affiliates or strategic partners will choose to purchase all or any portion of the reserved shares, but any purchases they do make will reduce the number of shares available to the general public. If all of the reserved shares are not purchased, the underwriters will offer the remainder to the general public on the same terms as the other shares offered by this prospectus. All of the reserved shares purchased by our employees, affiliates and strategic partners will be subject to 30 day lock-up agreements with the underwriters in the same form as those entered into by our directors, officers and securityholders.

LEGAL MATTERS

Morrison & Foerster LLP, San Francisco, California, will pass upon the validity of the common stock offered by this prospectus for us. Latham & Watkins, Costa Mesa, California, will pass upon legal matters in connection with this offering for the underwriters. Attorneys employed by Morrison & Foerster LLP or investment partnerships of which they are the beneficial owners hold approximately 15,000 shares of our common stock.

EXPERTS

The financial statements as of December 31, 1998 and 1999 and September 30, 2000 and for each of the three years in the period ended December 31, 1999 and the nine months ended September 30, 2000, included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with Securities and Exchange Commission in Washington, D.C. a Registration Statement on Form S-1 under the Securities Act with respect to the common stock offered in this prospectus. This prospectus, filed as part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our common stock, we refer you to the Registration Statement and to its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of that contract, agreement or document filed as an exhibit to the Registration Statement, with each of these statements being qualified in all respects by reference to the document to which it refers. Anyone may inspect the Registration Statement and its exhibits and schedules without charge at the public reference facilities the SEC maintains at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, New York 10048 and 500 West Madison Street, Suite 1400, Chicago, Illinois, 60661. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect these reports and other information without charge at a Web site maintained by the SEC. The address of this site is http://www.sec.gov.

Upon completion of this offering, we will become subject to the informational requirements of the Exchange Act and will be required to file reports, proxy statements and other information with the SEC. You will be able to inspect and copy these reports, proxy statements and other information at the public reference facilities maintained by the SEC and at the SEC's regional offices at the addresses noted above. You also will be able to obtain copies of this material from the Public Reference Section of the SEC as described above, or inspect them without charge at the SEC's Web site. We have applied for quotation of our common stock on the Nasdaq National Market. If we receive approval for quotation on the Nasdaq National Market, then you will be able to inspect reports, proxy and information statements and other information concerning us at the National Association of Securities Dealers, Inc. at 1735 K Street, N.W., Washington, D.C. 20006.

DYNAVAX TECHNOLOGIES CORPORATION
(A DEVELOPMENT STAGE COMPANY)
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Dynavax Technologies Corporation

The stock split and reincorporation described in Note 13 to the financial statements have not been consummated as of . When they have been consummated we will be in a position to furnish the following report:

"In our opinion, the accompanying balance sheets and the related statements of operations and comprehensive loss, of stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of Dynavax Technologies Corporation (a company in the development stage) at December 31, 1998, 1999 and September 30, 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, and for the nine months ended September 30, 2000 and for the cumulative period from August 29, 1996 (date of inception) to September 30, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion."

PricewaterhouseCoopers LLP

San Jose, California
November 2, 2000, except for
Note 13 as to which the date is
December , 2000

DYNAVAX TECHNOLOGIES CORPORATION
(A COMPANY IN THE DEVELOPMENT STAGE)

BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	DECEMBER 31,		SEPTEMBER 30,	PRO FORMA STOCKHOLDERS' EQUITY AT SEPTEMBER 30,
	1998	1999	2000	2000
				(UNAUDITED)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,284	$ 6,737	$ 11,524	
Marketable securities	6,960	1,742	16,136	
Prepaid expenses and other current assets	312	351	533	
Total current assets	13,556	8,830	28,193	
Property and equipment, net	737	761	818	
Other assets	36	31	26	
Total assets	$ 14,329	$ 9,622	$ 29,037	
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable	$ 1,017	$ 644	$ 348	
Accrued liabilities	187	291	1,049	
Deferred revenue	--	1,100	107	
Current portion of equipment financing	140	161	178	
Total current liabilities	1,344	2,196	1,682	
Equipment financing, net of current portion	328	167	29	
Total liabilities	1,672	2,363	1,711	
Commitments (Notes 5 and 11)				
Mandatorily redeemable convertible preferred stock: no par value; 12,989 shares authorized; issued and outstanding 8,990, 9,104 and 12,647 shares at December 31, 1998 and 1999 and at September 30, 2000, respectively, and none pro forma (liquidation value: $49,905 at September 30, 2000)	23,124	24,079	49,223	$ --
Stockholders' equity (deficit):				
Common stock: $0.001 par value; 20,000 shares authorized; issued and outstanding 1,859, 2,076 and 2,827 shares at December 31, 1998 and 1999 and at September 30, 2000, respectively, and 15,474 shares pro forma	2	2	3	15
Additional paid-in capital	20	272	3,394	52,605
Deferred stock compensation	--	(49)	(1,985)	(1,985)
Notes receivable from stockholders	--	--	(292)	(292)
Accumulated other comprehensive income (loss)	--	3	(53)	(53)
Deficit accumulated during the development stage	(10,489)	(17,048)	(22,964)	(22,964)
Total stockholders' equity (deficit)	(10,467)	(16,820)	(21,897)	$ 27,326
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' equity (deficit)	$ 14,329	$ 9,622	$ 29,037	

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

DYNAVAX TECHNOLOGIES CORPORATION
(A COMPANY IN THE DEVELOPMENT STAGE)

STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,		CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCEPTION) TO SEPTEMBER 30,
	1997	1998	1999	1999	2000	2000
				(UNAUDITED)		
Collaboration and other revenue	$ --	$ --	$ 450	$ 155	$ 1,493	$ 1,943
Operating expenses:						
Research and development (including stock compensation expense of $94 for the year ended December 31, 1999 and $10 and $194 for the nine months ended September 30, 1999 and 2000, respectively, and $288 since inception)	2,939	5,978	6,049	4,455	5,655	20,686
General and administrative (including stock compensation expense of $52 for the year ended December 31, 1999 and $3 and $401 for the nine months ended September 30, 1999 and 2000, respectively, and $453 since inception)	807	1,116	1,396	1,010	2,421	5,897
Total operating expenses	3,746	7,094	7,445	5,465	8,076	26,583
Loss from operations	(3,746)	(7,094)	(6,995)	(5,310)	(6,583)	(24,640)
Interest income	259	416	576	369	697	1,964
Interest expense	(18)	(100)	(140)	(44)	(30)	(288)
Net loss	(3,505)	(6,778)	(6,559)	(4,985)	(5,916)	(22,964)
Deemed dividend related to beneficial conversion feature of preferred stock	--	--	--	--	(16,033)	(16,033)
Net loss attributable to common stockholders	(3,505)	(6,778)	(6,559)	(4,985)	(21,949)	(38,997)
Other comprehensive income (loss):						
Change in unrealized gain (loss) on investments	--	--	3	--	(56)	(53)
Comprehensive loss	$(3,505)	$(6,778)	$(6,556)	$(4,985)	$(22,005)	$(39,050)
Net loss per share attributable to common stockholders, basic and diluted	$ (5.29)	$ (6.64)	$ (4.50)	$ (3.56)	$ (11.21)	
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	663	1,021	1,457	1,400	1,958	
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)			$ (0.63)		$ (0.46)	
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited)			10,458		12,966	

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

DYNAVAX TECHNOLOGIES CORPORATION
(A COMPANY IN THE DEVELOPMENT STAGE)

STATEMENTS OF STOCKHOLDERS' DEFICIT

FOR THE CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCEPTION)
TO SEPTEMBER 30, 2000

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK COMPENSATION	NOTES RECEIVABLE FROM STOCKHOLDERS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL STOCKHOLDERS' DEFICIT
	SHARES	AMOUNT						
Issuance of common stock for cash to founding stockholders in November 1996 at $0.00175 per share	1,749	$ 2	$ 1	$ --	$ --	$ --	$ --	$ 3
Issuance of common stock for services in December 1996	86	--	15	--	--	--	--	15
Net loss	--	--	--	--	--	--	(206)	(206)
Balances at December 31, 1996	1,835	2	16	--	--	--	(206)	(188)
Issuance of common stock upon exercise of options for cash at $0.175 per share	11	--	2	--	--	--	--	2
Net loss	--	--	--	--	--	--	(3,505)	(3,505)
Balances at December 31, 1997	1,846	2	18	--	--	--	(3,711)	(3,691)
Issuance of common stock upon exercise of options for cash at $0.175 per share	13	--	2	--	--	--	--	2
Net loss	--	--	--	--	--	--	(6,778)	(6,778)
Balances at December 31, 1998	1,859	2	20	--	--	--	(10,489)	(10,467)
Issuance of common stock upon exercise of options for cash at $0.175 and $0.35 per share	217	--	57	--	--	--	--	57
Deferred stock compensation	--	--	195	(195)	--	--	--	--
Amortization of deferred stock compensation	--	--	--	146	--	--	--	146
Unrealized gain on investments	--	--	--	--	--	3	--	3
Net loss	--	--	--	--	--	--	(6,559)	(6,559)
Balances at December 31, 1999	2,076	2	272	(49)	--	3	(17,048)	(16,820)
Issuance of common stock upon exercise of options at $0.175 to $0.70 per share	732	1	317	--	(292)	--	--	26
Beneficial conversion feature related to issuance of Series C mandatorily redeemable convertible preferred stock	--	--	16,033	--	--	--	--	16,033
Deemed dividend related to issuance of Series C mandatorily redeemable convertible preferred stock	--	--	(16,033)	--	--	--	--	(16,033)
Deferred stock compensation	--	--	2,531	(2,531)	--	--	--	--
Amortization of deferred stock compensation	--	--	--	595	--	--	--	595
Change in unrealized loss on investments	--	--	--	--	--	(56)	--	(56)
Issuance of common stock for services in connection with issuance of mandatorily redeemable convertible preferred stock	19	--	274	--	--	--	--	274
Net loss	--	--	--	--	--	--	(5,916)	(5,916)
Balances at September 30, 2000	2,827	$ 3	$ 3,394	$(1,985)	$(292)	$ (53)	$(22,964)	$(20,897)

Net loss	(3,505)
Balances at December 31, 1997	(3,691)
Issuance of common stock upon exercise of options for cash at $0.175 per share	2
Net loss	(6,778)
Balances at December 31, 1998	(10,467)
Issuance of common stock upon exercise of options for cash at $0.175 and $0.35 per share	57
Deferred stock compensation	--
Amortization of deferred stock compensation	146
Unrealized gain on investments	3
Net loss	(6,559)
Balances at December 31, 1999	(16,820)
Issuance of common stock upon exercise of options at $0.175 to $0.70 per share	26
Beneficial conversion feature related to issuance of Series C mandatorily redeemable convertible preferred stock	16,033
Deemed dividend related to issuance of Series C mandatorily redeemable convertible preferred stock	(16,033)
Deferred stock compensation	--
Amortization of deferred stock compensation	595
Change in unrealized loss on investments	(56)
Issuance of common stock for services in connection with issuance of mandatorily redeemable convertible preferred stock	274
Net loss	(5,916)
Balances at September 30, 2000	$(21,897)

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

DYNAVAX TECHNOLOGIES CORPORATION
(A COMPANY IN THE DEVELOPMENT STAGE)

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,		CUMULATIVE PERIOD FROM AUGUST 29, 1996 (DATE OF INCEPTION) TO SEPTEMBER 30,
	1997	1998	1999	1999	2000	2000
				(UNAUDITED)		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net loss	$(3,505)	$(6,778)	$(6,559)	$(4,985)	$ (5,916)	$(22,964)
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation and amortization	79	194	223	160	229	725
Loss on disposal of property and equipment	--	--	2	--	--	2
Contribution of fixed assets for research	--	283	--	--	--	283
Accretion of investments	--	--	59	--	--	59
Realized gain on investments sold	--	--	(8)	--	--	(8)
Employee loan forgiveness	--	8	8	--	--	16
Stock compensation expense	--	--	146	--	595	741
Common stock issued in exchange for services	--	--	--	--	--	15
Changes in operating assets and liabilities:						
Prepaid expenses and other current assets	(70)	(242)	(39)	(29)	(182)	(533)
Other assets	(17)	(7)	(3)	(5)	5	(42)
Accounts payable	242	775	(389)	(411)	(296)	332
Accrued liabilities	56	3	104	77	758	1,049
Deferred revenue	--	--	1,100	--	(993)	107
Net cash used in operating activities	(3,215)	(5,764)	(5,356)	(5,193)	(5,800)	(20,218)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of marketable securities	--	(6,960)	(3,230)	--	(16,200)	(26,390)
Proceeds from marketable securities	--	--	8,400	517	1,750	10,150
Purchase of property and equipment	(544)	(749)	(233)	(158)	(286)	(1,812)
Net cash provided by (used in) investing activities	(544)	(7,709)	4,937	359	(14,736)	(18,052)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from issuance of preferred stock, net of issuance costs	--	16,470	955	--	25,418	49,497
Proceeds from issuance of common stock	2	2	57	8	26	90
Proceeds from equipment financing	463	162	--	--	--	625
Repayments of equipment financing	(38)	(119)	(140)	(103)	(121)	(418)
Net cash provided by (used in) financing activities	427	16,515	872	(95)	25,323	49,794
Net increase (decrease) in cash and cash equivalents	(3,332)	3,042	453	(4,929)	4,787	11,524
Cash and cash equivalents at beginning of period	6,574	3,242	6,284	6,284	6,737	--
Cash and cash equivalents at end of period	$ 3,242	$ 6,284	$ 6,737	$ 1,355	$ 11,524	$ 11,524
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Interest paid	$ 18	$ 69	$ 56	$ 44	$ 30	$ 217
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:						
Issuance of common stock for services	$ --	$ --	$ --	$ --	$ 274	$ 289
Acquisition of property and equipment in accounts payable	--	--	16	--	--	16
Deferred stock compensation	--	--	195	--	2,531	2,726
Issuance of common stock for notes receivable	--	--	--	--	292	292

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

DYNAVAX TECHNOLOGIES CORPORATION
(A COMPANY IN THE DEVELOPMENT STAGE)

NOTES TO FINANCIAL STATEMENTS

NOTE 1--THE COMPANY AND ITS CAPITAL RESOURCES:

THE COMPANY

Dynavax Technologies Corporation ("Dynavax" or the "Company") was incorporated on August 29, 1996, in California. The Company is a biopharmaceutical company focused on discovering, developing and commercializing innovative products to treat and prevent allergies, chronic inflammatory diseases, cancer and chronic inflammation. The Company's development efforts are based on two proprietary approaches aimed at altering the immune system response in highly specific ways. The Company's primary research focus is on immunostimulatory sequences, or ISS, which are short DNA sequences that enhance the ability of the immune system to fight disease and control chronic inflammation. In a separate program, the Company is also developing orally available small molecules in the thiazolopyrimidine, or TZP, class. TZP's inhibit the production of chemical signals, or cytokines, such as tumor necrosis factor alpha, or TNF-alpha, and interleukin-12, or IL-12, that cause inflammation and disease. The Company's core technology was exclusively licensed from The University of California, San Diego. The Company is in the development stage at September 30, 2000 and since inception has devoted substantially all of its effort to research and development, raising capital, and recruiting personnel. The Company operates in one business segment.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

UNAUDITED INTERIM RESULTS

The accompanying interim financial statements for the nine months ended September 30, 1999, together with the related notes, are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management; reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's results of its operations and cash flows for the nine months ended September 30, 1999. The results of operations for any interim period are not necessarily indicative of the results of operations for a full year.

UNAUDITED PRO FORMA STOCKHOLDERS' EQUITY

If the initial public offering contemplated by this prospectus is consummated, all of the mandatorily redeemable convertible preferred stock outstanding will automatically convert into 12,646,619 shares of common stock. Unaudited pro forma stockholders' equity, as adjusted for the assumed conversion of the preferred stock, is set forth on the balance sheet.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 1999 and September 30, 2000, $6,585,000 and

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
$11,463,000, respectively, of investments in money market funds, the fair value of which approximates cost, are included in cash and cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities approximate fair value due to their short maturities. Based upon borrowing rates currently available to the Company for loans with similar terms, the carrying amount of the Company's equipment financing obligation approximates fair value.

MARKETABLE SECURITIES

The Company classifies all short-term investments as available-for-sale in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's marketable securities consist of corporate bonds that mature at various dates through August 2001. The amount of net unrealized (losses) gains were $0, $3,000 and $(53,000) at December 31, 1998 and 1999 and September 30, 2000, respectively. Realized gains (losses) for the years ended December 31 1998, 1999 and nine months ended September 30, 2000 were $0, $8,000 and $0, respectively.

CONCENTRATION OF CREDIT RISK AND OTHER RISKS AND UNCERTAINTIES

The Company's financial instruments that are subject to concentration of credit risk consist primarily of cash and cash equivalents and marketable securities. The Company's policy is to invest its cash and cash equivalents and marketable securities with high credit quality financial institutions in order to limit the amount of credit exposure. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Information regarding significant customers is as follows (percent of revenue):

SIGNIFICANT CUSTOMERS	YEAR ENDED DECEMBER 31, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000
A	--	67%
B	--	33
C	58	--
D	42	--
	100%	100%

The Company's future products will require approval from the Food and Drug Administration and may require approval from certain international regulatory agencies prior to commercialized sales. There can be no assurance that the Company's products will receive any of these required approvals. If the Company was denied such approvals or such approvals were delayed, it would have a material adverse impact on the Company's results of operations.

The Company is subject to risks common to companies in the biopharmaceutical industry, including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, product liability and the need to obtain additional financing.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, three years for computers and five years for laboratory equipment and furniture. Leasehold improvements are amortized over the remaining life of the initial lease term, or the estimated useful lives of the assets, typically five years, whichever is shorter. Repair and maintenance costs are charged to expense as incurred.

LONG-LIVED ASSETS

The Company identifies and records impairment losses on long-lived assets when events and circumstances indicate that the assets may be impaired. Recoverability is measured by comparison of the asset's carrying amount to the future net undiscounted cash flows the assets are expected to generate. If these assets are considered impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds the projected discounted future net cash flows associated with the asset. None of these events or circumstances have occurred with respect to the Company's long-lived assets, which consist primarily of computers and equipment, furniture and fixtures and leasehold improvements.

REVENUE RECOGNITION

The Company recognizes collaboration and other revenue based on the terms specified in the agreements using the percentage of completion method, generally approximating the straight line basis over the period of the collaboration or as work is performed. Any amounts received in advance of performance are recorded as deferred revenue. All revenues recognized to date under our collaborations are nonrefundable.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and include costs associated with research and performed pursuant to collaboration agreements. Research and development costs consist of direct and indirect internal costs related to specific projects as well as fees paid to other entities which conduct certain research activities on behalf of the Company.

INCOME TAXES

Current income tax expense (benefit) is the amount of income taxes expected to be payable (refundable) for the current period. A deferred income tax asset or liability is computed for the expected future impact of differences between the financial reporting and tax bases of assets and liabilities as well as the expected future tax benefit to be derived from net operating loss and tax credit carryforwards. Deferred income tax expense (benefit) is generally the net change during the period in the deferred income tax asset or liability. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized in future tax returns.

STOCK-BASED COMPENSATION

The Company has adopted the pro forma disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). As permitted, the Company continues to recognize employee stock compensation under the intrinsic value

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
method of accounting as prescribed by Accounting Principles Board Opinion No. 25. Under APB No. 25, compensation expense is based on the difference, if any, on the date of grant between the estimated fair value of the Company's common stock and the option exercise price. The pro forma effects of applying SFAS 123 are shown in the notes to the financial statements.

The Company accounts for stock options issued to non-employees in accordance with the provisions of SFAS 123 and EITF No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with, Selling Goods or Services ("EITF 96-18"). Deferred stock compensation for options granted to consultants is periodically remeasured as the underlying options vest in accordance with EITF 96-18.

The Company recognizes stock compensation expense for stock issued to non-employees in accordance with Financial Accounting Standards Board Interpretation No. 28 "Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plan" ("FIN 28").

NET LOSS PER SHARE

Basic net loss per share is calculated based on the weighted-average number of common shares outstanding during the period. Diluted net loss per share gives effect to potential common stock consisting of restricted shares subject to repurchase, shares issuable upon the exercise of stock options and warrants (calculated using the treasury stock method) and the conversion of mandatorily redeemable convertible preferred stock (using the if-converted method). Potential common shares have been excluded from the diluted net loss per share computations as their effect would be antidilutive.

PRO FORMA NET LOSS PER SHARE

Pro forma net loss per share for the year ended December 31, 1999 and the nine months ended September 30, 2000 is computed using the weighted average number of common shares outstanding, including the pro forma effects of the automatic conversion of the Company's mandatorily redeemable convertible preferred stock upon the closing of the Company's initial public offering as if such conversion occurred on January 1, 1999, or at the date of original issue, if later. Adjustments include an increase in the weighted average shares used to compute basic net loss per. The calculation of pro forma diluted net loss per share excludes potential common shares as their effect would be antidilutive.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The following is a reconciliation of the numerator (net loss) and the denominator (number of shares) used in the historical and pro forma basic and diluted per share calculations (in thousands, except for per share data):

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
Basic and diluted:					
Net loss	$(3,505)	$(6,778)	$(6,559)	$(4,985)	$ (5,916)
Deemed dividend related to beneficial conversion feature of preferred stock	--	--	--	--	(16,033)
Net loss attributable to common stockholders	$(3,505)	$(6,778)	$(6,559)	$(4,985)	$(21,949)
Weighted-average shares of common stock outstanding	1,843	1,851	1,938	1,895	2,159
Less: weighted-average shares subject to repurchase	(1,180)	(830)	(481)	(495)	(201)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	663	1,021	1,457	1,400	1,958
Net loss per share attributable to common stockholders, basic and diluted	$ (5.29)	$ (6.64)	$ (4.50)	$ (3.56)	$ (11.21)
Pro forma basic and diluted:					
Net loss			$(6,559)		$ (5,916)
Adjustment to reflect weighted-average effect of assumed conversion of preferred stock			9,001		11,008
Weighted-average shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted			10,458		12,966
Pro forma net loss per share attributable to common stockholders, basic and diluted			$ (0.63)		$ (0.46)

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

The following tables sets forth potential shares of common stock that are not included in the diluted net loss per share because to do so would be antidilutive for the periods indicated (in thousands):

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
Convertible preferred stock	3,828	8,990	9,104	8,990	12,647
Options to purchase common stock	428	724	634	610	171
Common stock subject to repurchase	1,020	670	321	408	543
Warrants	10	10	10	10	10
	5,286	10,394	10,069	10,018	13,371

RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities. SFAS 133 requires that all derivatives be recognized at fair value in the statement of financial position, and that the corresponding gains or losses be reported either in the statement of operations or as a component of comprehensive income (loss), depending on the type of hedge transaction. The Company, to date, has not engaged in derivative or hedging activities. The Company will adopt SFAS 133 in fiscal year 2001 and does not expect such adoption to have a material impact on its financial statements.

NOTE 3--BALANCE SHEET COMPONENTS:

Property and equipment consist of the following:

	DECEMBER 31,		SEPTEMBER 30,
	1998	1999	2000
PROPERTY AND EQUIPMENT (IN THOUSANDS):			
Laboratory equipment	$ 693	$ 867	$1,071
Computer and equipment	89	119	163
Furniture and fixtures	60	93	131
Leasehold improvements	36	39	39
	878	1,118	1,404
Less: Accumulated depreciation and amortization	(141)	(357)	(586)
	$ 737	$ 761	$ 818

The equipment financing described in Note 4 is collateralized by the related equipment. Depreciation and amortization expense on property and equipment was $79,000, $194,000, $223,000, $229,000 and $725,000 for years ended December 31, 1997, 1998, 1999 and the period ended

NOTE 3--BALANCE SHEET COMPONENTS: (CONTINUED)
September 30, 2000 and for the cumulative period from August 29, 1996 (date of inception) to September 30, 2000, respectively.

	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
ACCRUED LIABILITIES (IN THOUSANDS):			
Payroll and related expenses	$ 93	$ 170	$ 244
Legal expenses	--	65	464
Other accrued liabilities	94	56	341
	$ 187	$ 291	$1,049

NOTE 4--EQUIPMENT FINANCING:

In September 1997, the Company entered into a master financing agreement which provides for borrowings for equipment purchased; amounts borrowed are collateralized by the related equipment. In September and November of 1997, the Company borrowed $371,000 and $92,000 under the master financing agreement. These notes are payable in forty-eight monthly installments of $9,700 and $2,400, respectively. These notes bear interest at an effective rate of 15% per annum, and include final payments in the amount of $19,000 and $5,000, respectively. In conjunction with these borrowings, the Company also issued warrants to the lender (see Note 7).

During 1998, the Company borrowed $55,000 and $107,000 under the master financing agreement. These notes are payable in forty-eight monthly installments of $1,000 and $3,000, respectively. These notes bear interest at 13.84% per annum and require a final payment equal to 5% of the original principal amounts, resulting in an effective interest rate of 15%. These notes mature at various dates from September 1, 2000 to April 1, 2002.

Future principal payments under the master financing agreement at September 30, 2000 are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
2000	$ 40
2001	152
2002	15
	207
Less: Current portion	178
Long-term portion	$ 29

NOTE 5--COMMITMENTS:

The Company leases its facility under a non-cancellable operating lease that expires on March 31, 2003. Rent expense for the years ended December 31, 1997, 1998, 1999, the nine months ended September 30, 2000 and for the period from August 29, 1996 (date of inception) to September 30, 2000 was $138,000, $387,000, $350,000, $288,000 and $1,166,000, respectively.

NOTE 5--COMMITMENTS: (CONTINUED)

Future minimum payments under the non-cancellable operating lease at September 30, 2000 are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
2000	$ 81
2001	325
2002	325
2003	81
	$812

NOTE 6--MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK:

The Company has authorized 12,989,494 shares of preferred stock, designated in various series. The mandatorily redeemable convertible preferred stock ("Preferred Stock") is summarized as follows (in thousands, except per share amounts):

			DECEMBER 31,		
			1998	1999	SEPTEMBER 30, 2000
	SHARES DESIGNATED	MINIMUM LIQUIDATION PREFERENCE PER SHARE	ISSUED AND OUTSTANDING	ISSUED AND OUTSTANDING	ISSUED AND OUTSTANDING
Series A	3,828	$1.75	3,828	3,828	3,828
Series B	5,162	3.20	5,162	5,162	5,162
Series S-1	285	8.75	--	114	228
Series R	246	8.14	--	--	246
Series T	229	8.75	--	--	229
Series C	3,239	7.00	--	--	2,954
	12,989		8,990	9,104	12,647

In May 2000, the Company issued 2,953,554 shares of Series C Preferred Stock for gross cash proceeds of $20,675,000. As the estimated fair value of the Series C Preferred Stock was in excess of the net cash proceeds, the Company has recognized $16,032,647 as a charge to additional paid-in capital to account for the deemed dividend on the Preferred Stock as of the issuance date in accordance with Emerging Issues Task Force Consensus No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features". In addition, in October 2000, the Company issued an additional 285,714 shares of Series C Preferred Stock and will record a deemed dividend of approximately $2 million.

In connection with the issuance of the Series S-1, R and T Preferred Stock, the Company incurred issuance costs comprised of 19,047 shares of common stock with an estimated fair value of $274,000. The estimated fair value of this Common Stock was determined in accordance with the SFAS 123 and EITF 96-18 using the Black Scholes valuation model.

NOTE 6--MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK: (CONTINUED)

The holders of Preferred Stock have various rights and preferences as follows:

VOTING

Each share of Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock has voting rights equal to the number of shares of Common Stock into which it is convertible and votes together as one class with the Common Stock.

As long as the authorized size of the Company's Board of Directors is between 6 and 11 members, the holders of Series A Preferred Stock are entitled to elect 2 directors, the holders of Series B Preferred Stock are entitled to elect 2 directors, the holders of Common Stock voting as a separate class are entitled to elect 1 director, and the holders of Common and Preferred stock, voting together as a class, are entitled to elect all remaining members of the Board of Directors (if any) of up to a total of 11 directors.

As long as at least 285,714 shares of Preferred Stock remain outstanding, the Company must obtain a vote from at least 75%, 77%, 75%, 75%, 75% and 66 2/3% of the holders of Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock, respectively, in order to alter the Articles of Incorporation as they relate to the Preferred Stock, changes in the authorized number of shares of Preferred Stock, or to create or issue new shares or series of preferred stock.

The vote of a majority of the holders of the Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock is required to issue any shares of Common Stock, any redemption, repurchase, dividend or other distribution with respect to Common Stock, any asset transfer or acquisition, any redemption, repurchase, dividend or other distribution with respect to the Preferred Stock, and any increase or decrease in the number of Board of Directors, or any dissolution or liquidation of the Company.

DIVIDENDS

Holders of Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock are entitled to receive noncumulative dividends at the rate of 8% of the original issue price per annum, when and if declared by the Board of Directors. To date, the Company had not declared any dividends.

LIQUIDATION

In the event of any liquidation, dissolution or winding up of the Company, including a merger, acquisition or sale of assets where the holders of the Company's Common Stock and Preferred Stock own less than 51% of the resulting voting power of the surviving entity, the holders of the Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock are entitled to receive the original issue price of $1.75, $3.20, $8.75, $8.14, $8.75 and $7.00 per share, respectively, plus any declared but unpaid dividends prior to and in preference to any distribution to the holders of Common Stock. In the event funds are sufficient to make a complete distribution to the holders of Series A, Series B, Series C, Series R, Series S-1 and Series T Preferred Stock as described above, the remaining assets of the Company will be distributed ratably among the holders of Series A, Series B, Series C, Series R, Series S-1 and Series T Preferred Stock, and Common Stock based on the number of shares of Common Stock held by each, assuming conversion of shares of Series A, Series B, Series C, Series R, Series S-1 and Series T Preferred Stock into Common Stock. In the event that the holders of the Series A Preferred Stock have received an aggregate of $5.25 per share, the holders of Series B Preferred Stock have received an aggregate of $9.61 per share, the holders of Series S-1 Preferred Stock have received an aggregate of $8.75, the holders of Series R Preferred Stock have received an

NOTE 6--MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK: (CONTINUED)
aggregate of $8.14 per share, the holders of Series T Preferred Stock have received an aggregate of $8.75 per share and the holders of Series C have received an aggregate of $7.00 per share, respectively, excluding payment of the liquidation preference, any remaining assets will be distributed solely to the holders of Common Stock.

CONVERSION

Each share of Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock is convertible into shares of the Company's Common Stock, at the option of the holder, according to a defined conversion ratio which is subject to adjustment for dilution. Each share of Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock automatically converts at a rate of one share of Common Stock for one share of Preferred Stock, adjusted for stock splits and certain other transactions, upon the closing of a public offering of Common Stock in which gross proceeds to the Company are at least $15 million and the Company is valued on a pre-money basis at no less than $175 million or the vote of the holders of at least 66 2/3% of the outstanding shares of Preferred Stock voting as a single class except for Series C which shall convert on vote of at least 66 2/3% of the outstanding shares of Series C Preferred Stock. In addition, in the event of a sale of common stock, as defined per the amended and restated articles of incorporation, below the conversion price of Series A, Series B, Series R and Series C Preferred Stock, such preferred stock conversion price shall be subject to adjustment.

MANDATORY REDEMPTION RIGHTS

The holders of at least a majority of the then outstanding shares of Series A, Series B, Series S-1, Series R, Series T and Series C Preferred Stock, voting together as a separate class, may require the Company, to the extent it may lawfully do so, to redeem all shares of Preferred Stock in 3 annual installments any time after July 31, 2004. The amount of redemption payable in cash shall equal the sum of the original issue price (adjusted for stock dividends, splits and recapitalizations) plus any declared and unpaid dividends on such shares.

At September 30, 2000, the Company has reserved 12,989,494 shares of Common Stock for future issuance upon the conversion of its outstanding Preferred Stock.

NOTE 7--COMMON STOCK:

In November 1996, the Company issued 1,748,979 shares of Common Stock to its founders at $0.00175 per share, subject to a right of repurchase by the Company at $0.00175 per share if a founder leaves the Company or chooses not to remain a director or consultant of the Company. This right lapses over four years from the first day of the month following the month in which shares were issued. As of September 30, 2000, 58,330 shares of Common Stock were subject to the right of repurchase.

WARRANTS FOR COMMON STOCK

In connection with the master financing agreement (see Note 4), during 1998 the Company granted the lender warrants to purchase 10,285 shares of Common Stock at an exercise price of $2.19 per share, subject to adjustments upon the occurrence of certain events such as a merger of the Company, stock split, stock dividends and other distributions, and other anti-dilution events. The estimated fair value of the warrants was not significant. These warrants are exercisable from the date of the grant through the later of 1) six years after the date of grant, or 2) the completion of an initial public offering of the Company's Common Stock with net proceeds of at least $10 million.

NOTE 8--STOCK OPTION PLAN:

In January 1997, the Company adopted the 1997 Equity Incentive Plan (the "1997 Plan"). The 1997 Plan provides for the granting of stock options to employees and non-employees of the Company. Options granted under the 1997 Plan may be either incentive stock options or nonqualified stock options. Incentive stock options ("ISO") may be granted to Company employees (including officers and directors who are also employees). Non-qualified stock options ("NSO") may be granted to employees and non-employees. The Company has reserved 1,967,788 shares of Common Stock for issuance under the 1997 Plan, as amended.

Options under the 1997 Plan may be granted for periods of up to ten years and at prices no less than 85% of the estimated fair value of the shares on the date of grant as determined by the Board of Directors, provided, however, that (i) the exercise price of an ISO shall not be less than 100% of the estimated fair value of the shares on the date of grant, and (ii) the exercise price of an ISO granted to a 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. The options are exercisable immediately and generally vest over a four or five-year period (generally 20% after one year and in monthly ratable increments thereafter) for stock options issued to employees, officers, directors, and scientific advisors, and quarterly vesting over a four-year period or immediate vesting for stock options issued to all other non-employees. All unvested shares issued under the 1997 Plan are subject to repurchase rights held by the Company under such conditions as agreed to by the Company and the optionee.

Activity under the 1997 Plan is set forth below:

	DECEMBER 31,						SEPTEMBER 30,	
	1997		1998		1999		2000	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding at beginning of period	--	$ --	428,119	$0.17	723,786	$0.21	634,141	$0.28
Options granted	440,489	0.17	379,468	0.33	151,062	0.35	371,114	0.70
Options exercised	(10,942)	0.17	(13,018)	0.17	(217,354)	0.26	(732,393)	0.33
Options canceled	(1,428)	0.17	(70,783)	0.17	(23,353)	0.17	(101,466)	0.29
Options outstanding at end of period	428,119	0.17	723,786	0.21	634,141	0.28	171,396	0.47

The fair value of each option grant to employees is estimated on the date of grant using the minimum value method with the following weighted average assumptions:

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1999	2000
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	4.2% to 5.6%	5.7% to 6.7%	5.5%	5.5% to 6.3%
Expected life (in years)	4.0	4.0	4.0	4.0

The weighted average estimated fair value per share of employee stock options granted during 1997, 1998, 1999 and 2000 was $0.04, $0.08, $0.13 and $3.92, respectively.

NOTE 8--STOCK OPTION PLAN: (CONTINUED)

As the determination of estimated fair value of all options granted after such time as the Company becomes a public entity will include an expected volatility factor in addition to the factors described in the preceding table, the pro forma results summarized below may not be representative of future periods.

The Company has adopted the disclosure-only provisions of SFAS 123. Had compensation cost for options granted under the 1997 Plan been determined based on the fair value at grant date as prescribed by SFAS 123, the impact on the Company's net loss would be as follows: (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,			SEPTEMBER 30,
	1997	1998	1999	2000
Net loss attributable to common stockholders:				
As reported	$(3,505)	$(6,778)	$(6,559)	$(21,949)
Pro forma	$(3,517)	$(6,827)	$(6,670)	$(22,555)
Net loss per share attributable to common stockholders, basic and diluted:				
As reported	$ (5.29)	$ (6.64)	$ (4.50)	$ (11.21)
Pro forma	$ (5.30)	$ (6.69)	$ (4.58)	$ (11.52)

Since options vest over several years and additional option grants are expected to be made in future years, the pro forma impact on the results of operations for the three years and nine months ended September 30, 2000 is not representative of the pro forma effects on the results of the operations for future periods.

The following summarizes options outstanding under 1997 Plan as of September 30, 2000:

OPTIONS OUTSTANDING AND EXERCISABLE			
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	EXERCISE PRICE
$0.18	51,757	6.7	$0.18
0.35	34,255	8.4	0.35
0.70	85,384	9.5	0.70
	171,396		0.47

STOCK-BASED COMPENSATION

During the year ended December 31, 1999 and the nine months ended September 30, 2000, the Company recorded deferred stock compensation for the excess of the estimated fair value of its Common Stock over the option exercise price at the date of grant of $64,000 and $2,301,000, respectively, related to options granted to employees. Stock compensation expense is being recognized over the option vesting period of four years using the straight-line method. For the year ended December 31, 1999 and the nine months ended September 30, 2000, the Company recorded stock

NOTE 8--STOCK OPTION PLAN: (CONTINUED)
compensation expense of $46,000 and $343,000, respectively, in connection with options granted to employees.

During the year ended December 31, 1999 and the nine months ended September 30, 2000, the Company recorded deferred stock compensation of $131,000 and $229,000, respectively, related to options granted to non-employees. For options granted to non-employees, the Company determined the estimated fair value of the options using the Black-Scholes option pricing model. Compensation expense is being recognized over the option vesting period of four years in accordance with FIN 28. For the year ended December 31, 1999 and the nine months ended September 30, 2000, the Company recorded stock compensation expense of $100,000 and $252,000, respectively, in connection with options granted to non-employees.

NOTE 9--EMPLOYEE BENEFIT PLAN:

Effective September 1997, the Company adopted the Dynavax Technologies Corp. 401(k) Plan (the "401(k) Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may defer a portion of their pre-tax earnings not to exceed $10,000 for the year ended December 31, 1999. The Company may, at its discretion, make contributions for the benefit of eligible employees. To date, the Company has not made any contributions to the 401(k) Plan.

NOTE 10--RELATED PARTY TRANSACTIONS:

In November 1997, the Company made a loan of $24,000 to an employee, which bears interest at 5.69% per year. The loan, plus interest, shall be forgiven and recorded as compensation expense over three years provided the employee remains employed by the Company. The balance of the loan was $16,000, $8,000 and $8,000 at December 31, 1998, 1999 and September 30, 2000, respectively.

In December 1998, the Company entered into a research agreement with the University of California to be conducted by one of the Company's founders who is also an employee of the University (see Note 11).

In September 2000, the Company loaned $292,000 to certain key employees and officers for the exercise of incentive stock options. These notes are full recourse notes, accrue interest at 6.22% and are due on September 2005. These notes are collatorized by the shares of Common Stock held by the employees.

NOTE 11-- COLLABORATIVE RESEARCH AND DEVELOPMENT AND LICENSE AGREEMENTS:

UNIVERSITY OF CALIFORNIA

The Company entered into a series of exclusive license agreements with the Regents of the University of California (the "University") in March 1997 and October 1998. These agreements provide the Company with certain technology and related patent rights and materials. Under the terms of the agreements, the Company pays annual license or maintenance fees and will pay milestones and royalties on net sales of products originating from the licensed technologies. The agreements will expire on either the expiration date of the last-to-expire patent licensed under the agreements or until the date upon which the last patent application licensed under the agreements is abandoned. Since inception through September 30, 2000, the Company incurred a one-time license fee of $50,000, patent

NOTE 11-- COLLABORATIVE RESEARCH AND DEVELOPMENT AND LICENSE AGREEMENTS: (CONTINUED)

expenses of approximately $165,000 and made a royalty payment of $75,000 in connection with these license agreements.

In December 1998, the Company entered into a research agreement with the University to fund a research project on "Biological Effects of ISS and IIS-ODN." Title to any inventions shall be determined in accordance with US Patent laws. The project commenced in January 1999 and will continue for a period of five years, unless terminated in accordance with the terms of the agreement. The Company may fund and support project costs of approximately $1 million per year, to a maximum aggregate amount of $4.9 million. In December 1998, the Company also contributed to the University for use in connection with the project equipment with a net book value of $283,000, which was charged to research and development expense. The principal investigator of the research project is one of the Company's Founders who owns shares of our Common Stock. In addition, as part of the agreement, the Company is obligated to make a one-time payment to the University upon the effective closing of an initial public offering by the Company. The payment is equal to the product of $50,000 multiplied by the per share offering price to the public.

In November 1999 the Company entered into a collaboration agreement with a biotechnology company to develop and commercialize products to treat seasonal allergies. Under this agreement, both the Company and this collaborator will conduct pre-clinical and clinical development activities on two different forms of treatment for a particular allergy. Additionally, the Company granted this collaborator a non-exclusive option to negotiate in the future a license agreement at the then fair value to incorporate the resultant technology into any products it may sell. Both the Company and this collaborator will be obligated to pay future royalties to each other on any products they sell in the future which incorporate the resultant technology. Separately, this collaborator purchased 228,571 shares of Series S-1 Preferred Stock at $8.75 per share.

In December 1999 the Company entered into a two year collaboration agreement with a pharmaceutical company to develop new vaccines and therapeutic drugs for a variety of infectious diseases. Under this agreement, this collaborator will pay the Company for certain research to be completed pursuant to the terms of the agreement. Additionally, the Company granted this collaborator a non-exclusive option to negotiate in the future a license agreement at the then fair value to undertake additional clinical development activities. Separately, this collaborator purchased 245,776 shares of Series R Preferred Stock at $8.14 per share.

In March 2000 the Company entered into a eighteen month collaboration and license agreement with a biotechnology company to develop therapies for the treatment and prevention of hepatitis and HIV. Under this agreement, the Company licensed certain technology to the biotechnology company for its use in research and development activities. Additionally, this collaborator will pay the Company to perform certain research and development activities. This collaborator will be obligated to pay future royalties on any products it sells which incorporate the resultant technology. Separately, this collaborator purchased 228,571 shares of Series T Preferred Stock at $8.75 per share.

OTHER RESEARCH AGREEMENTS

For the year ended December 31, 1999, the Company recognized revenue of $260,000 and $190,000 from two customers, representing 58% and 42% of annual revenues, respectively, under agreements which provided these customers with access to evaluate certain technology developed by the

NOTE 11-- COLLABORATIVE RESEARCH AND DEVELOPMENT AND LICENSE AGREEMENTS: (CONTINUED)

Company. These non-refundable amounts were recognized as revenues at the conclusion of the respective agreements. Neither customer exercized its option to continue under these agreements.

NOTE 12--INCOME TAXES:

Deferred tax assets and liabilities consist of the following (in thousands):

	DECEMBER 31, 1998	DECEMBER 31, 1999	SEPTEMBER 30, 2000
Deferred tax assets:			
Net operating loss carryforwards	$ 1,885	$ 3,522	$ 4,138
Research tax credit carryforwards	193	741	962
Accruals and reserves	111	126	255
Depreciation	2,341	3,154	4,238
Total deferred tax assets	4,530	7,543	9,593
Less: valuation allowance	(4,530)	(7,543)	(9,593)
	$ --	$ --	$ --

Management believes that, based on a number of factors, it is more likely than not that the deferred tax assets will not be realized, accordingly, a full valuation allowance has been recorded for all deferred tax assets at September 30, 2000.

At September 30, 2000, the Company has federal and state net operating loss carryforwards of approximately $10.0 million and $8.0 million, respectively. The state and federal operating loss carryforwards expire at various dates from 2001 through 2020 if not utilized.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in stock ownership of a company. In the event the Company has a change in ownership, as defined, the annual utilization of such carryforwards could be limited.

NOTE 13--SUBSEQUENT EVENTS:

INITIAL PUBLIC OFFERING

In November 2000, the Board of Directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission permitting the Company to sell shares of its Common Stock to the public. If the initial public offering is completed under the terms presently anticipated, all of the Preferred Stock outstanding will automatically convert into 12,646,619 shares of Common Stock.

CERTIFICATE OF INCORPORATION

In December 2000, the Board of Directors approved the filing of an amended and restated Certificate of Incorporation in the State of Delaware in connection with the Company's initial public offering. The amendment, which will become effective upon the completion of the offering, will authorize the Company to issue up to 60,000,000 shares of Common Stock and 6,000,000 shares of Preferred Stock.

NOTE 13--SUBSEQUENT EVENTS: (CONTINUED)
STOCK OPTIONS

In October and November 2000, options to purchase 870,300 shares of Common Stock under the 1997 Plan were granted to employees at an average exercise price of $0.78. The total deferred stock compensation related to these grants amounted to $7,257,000 and will be amortized to expense over the vesting period of the options.

STOCK SPLIT

In November 2000, the Board of Directors approved, subject to stockholder approval, a 7 for 4 reverse stock split of the Company's Common Stock and Preferred Stock. All share and per share amounts in these financial statements have been retroactively restated to reflect this stock split.

2000 STOCK INCENTIVE PLAN

In December 2000, the Board of Directors adopted, subject to stockholder approval, the 2000 Stock Incentive Plan (the "2000 Plan"). The 2000 Plan, which will terminate no later than 2010, provides for the granting of incentive stock options, nonstatutory stock options and restricted stock purchase rights.

A total of 3,000,000 shares of Common Stock have been authorized for issuance under the 2000 Plan. At the date of the stockholders' meeting in 2001, and annually thereafter, the authorized shares available under the 2000 Plan will automatically be increased by a number of shares equal to the least of:

- 5% of the then outstanding shares of Common Stock on a fully-diluted basis; or

- a number of shares determined by the Board of Directors.

2000 EMPLOYEE STOCK PURCHASE PLAN

In December 2000, the Board of Directors adopted, subject to stockholder approval, the 2000 Employee Stock Purchase Plan (the "Purchase Plan"), authorizing the issuance of 900,000 shares of Common Stock.

At the date of the stockholders' meeting in 2001, and annually thereafter, for a period of 20 years, the shares reserved under the Purchase Plan will automatically be increased by a number of shares equal to the least of:

- 2% of the then outstanding shares of Common Stock on a fully diluted basis;

- 450,000 shares; or

- a number of shares determined by the Board of Directors.

The Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended.

The Purchase Plan will permit eligible employees to purchase Common Stock at 85% of the fair market value of the Common Stock on the first day of the offering period or 85% of the fair market value on the subsequent designated purchase dates, whichever is lower.

NOTE 13--SUBSEQUENT EVENTS: (CONTINUED)
2000 NON-EMPLOYEE DIRECTORS' OPTION PROGRAM

In August 2000, the Board of Directors adopted, subject to stockholder approval, the 2000 Non-Employee Directors' Option Program (the "2000 Non-Employee Plan") under which shares of Common Stock were reserved for issuance. Under the terms of the 2000 Non-Employee Plan, each new non-employee director elected on, or after, the effectiveness of an initial public offering of the Company's Common Stock will be granted an option to purchase 10,000 shares of Common Stock which vest over a 4 year period. Thereafter, on an annual basis, on the date of the annual stockholder meeting, each director will be granted an option to purchase 2,500 additional shares of Common Stock, which vest over a one year period. The exercise price of an option will not be less than the fair market value of the Common Stock on the date of grant and the term will not exceed 10 years.

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SHARES

[DYNAVAX LOGO]

Prospectus
, 2000

JOINT BOOK RUNNING MANAGERS

BANC OF AMERICA SECURITIES LLC UBS WARBURG LLC

Until , 2001, all dealers that buy, sell or trade the common stock, may be required to deliver a prospectus, regardless of whether they are participating in the offering. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The expenses to be paid by the Registrant in connection with the distribution of the securities being registered, other than underwriting discounts and commissions, are as follows:

	AMOUNT
Securities and Exchange Commission Filing Fee	$19,800
NASD Filing Fee	8,000
Nasdaq National Market Listing Fee	5,000
Accounting Fees and Expenses	
Blue Sky Fees and Expenses	
Legal Fees and Expenses	
Transfer Agent and Registrar Fees and Expenses	
Printing Expenses	
Miscellaneous Expenses	
Total	$

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to officers, director and other corporate agents under certain circumstances and subject to certain limitations. The Registrant certificate of incorporation and bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the Registrant intends to enter into separate indemnification agreements with its directors, officers and certain employees which would require the Registrant, among other things, to indemnify them against certain liabilities which may arise by reason of their status as directors, officers or certain other employees. The Registrant also intends to maintain director and officer liability insurance, if available on reasonable terms.

These indemnification provisions and the indemnification agreement to be entered into between the Registrant and its officers and directors may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The underwriting agreement, which is Exhibit 1.1 to this registration statement, provides for indemnification by our underwriters and their officers and directors for certain liabilities arising under the Securities Act or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Since January 1, 1997, the Registrant has issued and sold the following unregistered securities:

1. Between January 1, 1997 and September 30, 2000, the Registrant granted 1,342,133 shares of restricted common stock and options to purchase shares of common stock at prices ranging from $0.18 to $0.70 to employees, directors and consultants pursuant to its 1997 Equity Incentive Plan. These issuances were made in reliance on Rule 701 of the Securities Act.

2. In September 1997, the Registrant issued a warrant to purchase 10,285 shares of its common stock to Lease Management Services, Inc. in connection with a leasing arrangement. The warrant was issued in reliance on Section 4(2) of the Securities Act.

3. In July 2000, the Registrant issued an aggregate of 19,047 shares of its common stock to Parteurop Development as compensation for services valued at $13,333.60 in connection with a consulting agreement. This issuance was made in reliance on Section 4(2) of the Securities Act.

4. In July 1998, the Registrant issued and sold an aggregate of 5,161,584 shares of its Series B preferred stock to a total of 16 investors for an aggregate purchase price of $16,530,000. These sales were made in reliance on Section 4(2) of the Securities Act.

5. From December 1999 to March 2000, the Registrant issued and sold an aggregate of 228,571 shares of its Series S-1 preferred stock to Stallergenes S.A. for an aggregate purchase price of $2,000,000 in connection with a collaboration agreement with Stallergenes S.A. This sale was made in reliance on Section 4(2) of the Securities Act.

6. In March 2000, the Registrant issued and sold an aggregate of 245,776 shares of its Series R preferred stock to Aventis Pasteur S.A. for an aggregate purchase price of $2,000,000 in connection with a collaboration agreement with Aventis Pasteur S.A. This sale was made in reliance on Section 4(2) of the Securities Act.

7. In April 2000, the Registrant issued and sold an aggregate of 228,571 shares of its Series T preferred stock to Triangle Pharmaceuticals, Inc. for an aggregate purchase price of $2,000,000 in connection with a License Agreement with Triangle Pharmaceuticals, Inc. This sale was made in reliance on Section 4(2) of the Securities Act.

8. From June 2000 to October 2000, the Registrant issued and sold an aggregate of 3,239,265 shares of its Series C preferred stock to a total of 41 investors for an aggregate purchase price of $22,675,000. These sales were made in reliance on Section 4(2) of the Securities Act.

The issuances of the securities in the transactions above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act promulgated thereunder as transactions by an issuer not involving a public offering, where the purchasers represented their intention to acquire the securities for investment only and not with a view to distribution and received or had access to adequate information about the Registrant, or Rule 701 promulgated under the Securities Act as transactions pursuant to a compensatory benefit plan or a written contract relating to compensation.

Appropriate legends were affixed to the stock certificates issued in the above transactions. Similar legends were imposed in connection with any subsequent sales of any such securities. No underwriters were employed in any of the above transactions.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

The exhibits are as set forth in the Exhibit Index.

(b) Financial Statement Schedules.

All schedules have been omitted because they are not required or are not applicable or the required information is shown in the financial statements or related notes.

ITEM 17. UNDERTAKINGS

The Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange

Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California on the 5th day of December, 2000.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ DINO DINA, M.D.
Dino Dina, M.D.
PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dino Dina, M.D. and Andrew Gengos, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by the Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ DINO DINA, M.D. Dino Dina, M.D.	President, Chief Executive Officer and Director (Principal Executive Officer)	December 5, 2000
/s/ ANDREW GENGOS Andrew Gengos	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	December 5, 2000
/s/ DANIEL S. JANNEY Daniel S. Janney	Chairman of the Board	December 5, 2000
/s/ DAVID W. BARRY, M.D. David W. Barry, M.D.	Director	December 5, 2000

SIGNATURE	TITLE	DATE
/s/ LOUIS C. BOCK Louis C. Bock	Director	December 5, 2000
/s/ DENNIS CARSON, M.D. Dennis Carson, M.D.	Director	December 5, 2000
/s/ ARNOLD ORONSKY, PH.D. Arnold Oronsky, Ph.D.	Director	December 5, 2000
/s/ JEFFREY D. SOLLENDER Jeffrey D. Sollender	Director	December 5, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DOCUMENT
1.1*	Form of Underwriting Agreement
3.1*	Certificate of Incorporation of the Registrant
3.2*	Bylaws of the Registrant
4.1	Reference is made to Exhibits 3.1 and 3.2
4.2*	Specimen Stock Certificate of the Registrant
4.3	Second Amended Investors' Rights Agreement, dated as of June 13, 2000, between the Registrant and certain holders of the Registrant's preferred stock
4.4	Series S-1 Preferred Stock Purchase Agreement, dated as of November 22, 1999, between the Registrant and Stallergenes S.A.
4.5	Series S-1 Preferred Stock Purchase Agreement, dated as of March 15, 2000, between the Registrant and Stallergenes S.A.
4.6	Series R Preferred Stock Purchase Agreement, dated as of March 7, 2000, between the Registrant and Aventis Pasteur S.A.
4.7	Series T Preferred Stock Purchase Agreement, dated as of March 31, 2000, between the Registrant and Triangle Pharmaceuticals, Inc.
5.1*	Opinion of Morrison & Foerster LLP as to the legality of the common stock
10.1*	Form of Indemnification Agreement between the Registrant and each of its executive officers and directors
10.2	Registrant's 1997 Equity Incentive Plan, as amended
10.3*	2000 Stock Incentive Plan, including forms of agreements thereunder
10.4*	2000 Employee Stock Purchase Plan, including forms of agreements thereunder
10.5	Triple Net Laboratory Lease, dated as of January 30, 1998, between the Registrant and Fifth & Potter Street Associates, LLC, including an amendment thereof
10.6*+	License Agreement, dated as of March 31, 2000, between the Registrant and Triangle Pharmaceuticals, Inc.
10.7*+	Collaboration Agreement, dated as of December 17, 1999, between the Registrant and Aventis Pasteur S.A.
10.8*+	Agreement, dated as of November 2, 1999, between the Registrant and Stallergenes S.A.
10.9*+	Exclusive license agreement, dated October 2, 1998, between the Registrant and Regents of the University of California, including an amendment thereof.
10.10	Management Continuity Agreement, dated as of July 1, 2000, between the Registrant and Dino Dina, M.D.
10.11	Management Continuity Agreement, dated as of October 4, 2000, between the Registrant and Andrew Gengos
10.12	Management Continuity Agreement, dated as of November 17, 2000, between the Registrant and Robert Lee Coffman
23.1*	Consent of Morrison & Foerster LLP. Reference is made to Exhibit 5.1*
23.2	Consent of PricewaterhouseCoopers LLP, Independent Accountants
24.1	Powers of Attorney. Reference is made to Page II-4
27.1	Financial Data Schedule

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* To be filed by amendment

+ Confidential treatment has been requested with regard to certain portions of this document.

Exhibit 4.3

DYNAVAX TECHNOLOGIES CORPORATION

SECOND AMENDED INVESTORS' RIGHTS AGREEMENT

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SECOND AMENDED INVESTORS' RIGHTS AGREEMENT

THIS SECOND AMENDED INVESTORS' RIGHTS AGREEMENT (the "Agreement") is entered into as of June 13, 2000, by and among Dynavax Technologies Corporation, a California corporation (the "Company"), the purchasers of the Company's Series A Preferred Stock (the "Series A Shareholders"), the purchasers of the Company's Series B Preferred Stock ("Series B Shareholders") and the purchasers of the Company's Series C Preferred Stock ("Series C Preferred Stock") pursuant to that certain Series C Preferred Stock Purchase Agreement dated as of May 12, 2000 (the "Purchase Agreement"). This Agreement amends, restates and supercedes that certain First Amended Investors' Rights Agreement dated as of July 31, 1998, by and among the Company, the Series A Shareholders and the Series B Shareholders. The purchasers of the Series C Preferred Stock (the "Series C Shareholders"), and each purchaser of the Company's Series A Preferred Stock and Series B Preferred Stock, shall be referred to hereinafter as the "Investors" and each individually as an "Investor."

RECITALS

A. Whereas, certain of the Series A Shareholders and Series B Shareholders hold Series A Preferred Stock or Series B Preferred Stock and/or shares of Common Stock issued upon conversion thereof and possess registration rights, information rights and other rights pursuant to that certain First Amended Investors' Rights Agreement dated as of July 31, 1998, by and among the Company and such Investors (the "Prior Agreement");

B. Whereas, the Series A Shareholders and Series B Shareholders desire to terminate the Prior Agreement and to accept the rights created pursuant hereto in lieu of the rights granted to them under the Prior Agreement;

C. Whereas, the Company proposes to sell and issue up to five million five hundred thousand (5,500,000) shares of its Series C Preferred Stock pursuant to the Purchase Agreement; and

D. Whereas, as a condition of entering into the Purchase Agreement, the purchasers of Series C Preferred Stock have requested that the Company extend to them registration rights, information rights and other rights as set forth below;

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement and in the Purchase Agreement, the Series A Shareholders and Series B Shareholders who are parties to the Prior Agreement hereby agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement, and the parties mutually agree as follows:

AGREEMENT

1. GENERAL

1.1 DEFINITIONS. As used in this Agreement, the following terms shall have the following respective meanings:

"CLOSING" shall have the meaning given such term in the Purchase Agreement.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORM S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"HOLDER" means any person owning of record Shares or Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 2.10 hereof.

"INITIAL OFFERING" means the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

"MAJOR INVESTOR" shall have the meaning given such term in Section 3.1(c) hereof.

"OTHER PREFERRED" shall mean the shares of Series R, Series S-1 and Series T Preferred Stock of the Company.

"PURCHASE AGREEMENT" shall have the meaning given such term in the preamble hereof.

"QUALIFIED PUBLIC OFFERING" shall have the meaning given such term in Section 2.2(a) hereof.

"REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares; and (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities either sold by a person to the public pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under Section 2 of this Agreement are not assigned.

"REGISTRABLE SECURITIES THEN OUTSTANDING" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

"REGISTRATION EXPENSES" shall mean all expenses incurred by the Company in complying with Sections 2.2, 2.3 and 2.4 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and

expenses and the expense of any special audits incident to or required by any such registration (but excluding fees and disbursements of additional counsel for any of the Holders, which fees and disbursements shall be the obligations of such Holders, and excluding the compensation of regular employees of the Company, which compensation shall be paid in any event by the Company).

"SEC" or "COMMISSION" means the Securities and Exchange Commission.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLING EXPENSES" shall mean all underwriting discounts and selling commissions applicable to the sale of Shares pursuant to the Agreement or the Purchase Agreement.

"SHARES" shall mean the Company's Series C Preferred Stock issued pursuant to the Purchase Agreement and Series A Preferred Stock and Series B Preferred Stock previously issued by the Company.

"THRESHOLD OFFERING" means an initial offering with a total offering price, prior to deductions of underwriter commissions, and offering expenses and the like, of no less than fifteen million dollars ($15,000,000), and in which the Company is valued on a pre-money basis at no less than one hundred seventy five million dollars ($175,000,000).

2. REGISTRATION; RESTRICTIONS ON TRANSFER

2.1 RESTRICTIONS ON TRANSFER.

(a) Each Holder agrees not to make any disposition of all or any portion of the Shares or Registrable Securities unless and until:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition, and such disposition is made in accordance with such registration statement; or

(ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such securities under the Securities Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by a Holder which is (A) a partnership to its partners or former partners in accordance with partnership interests, (B) a corporation to its shareholders or affiliates in accordance with their interest in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, or (D) to the Holder's family member or trust

for the benefit of an individual Holder; provided in each case that the transferee will be subject to the terms of this Agreement to the same extent as if it were an original Holder hereunder.

(b) Each certificate representing Shares or Registrable Securities shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws or as provided elsewhere in this Agreement):

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

(c) The Company shall be obligated to reissue promptly unlegended certificates at the request of any holder thereof if the holder shall have obtained an opinion of counsel (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend.

(d) Any legend endorsed on an instrument pursuant to applicable state securities laws and the stop-transfer instructions with respect to such securities shall be removed upon receipt by the Company of an order of the appropriate blue sky authority authorizing such removal.

2.2 DEMAND REGISTRATION.

(a) Subject to the conditions of this Section 2.2, if the Company shall receive a written request from the Holders of more than thirty percent (30%) of the Registrable Securities then outstanding (the "Initiating Holders") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities having an aggregate offering price to the public in excess of five million dollars ($5,000,000) (a "Qualified Public Offering"), then the Company shall, within thirty (30) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2.2, use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.2 and the Company shall include such information in the written notice referred to in Section 2.2(a). In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a

majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.2, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 2.2:

(i) until the earlier of December 31, 2002 or the date which is six months after the Initial Offering; or

(ii) after the Company has effected two (2) registrations pursuant to this Section 2.2, and such registrations have been declared or ordered effective; or

(iii) during the period starting with the date of filing of, and ending on the date one hundred eighty (180) days following the effective date of, the registration statement pertaining to the Initial Offering; provided that the Company makes reasonable good-faith efforts to cause such registration statement to become effective; or

(iv) if within thirty (30) days of receipt of a written request from Initiating Holders pursuant to Section 2.2(a), the Company gives notice to the Holders of the Company's intention to make its Initial Offering within ninety (90) days; or

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.2, a certificate signed by the Chairman of the Board or the President of the Company stating that in the good-faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than one hundred twenty (120) days after receipt of the request of the Initiating Holders; provided that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period.

2.3 PIGGYBACK REGISTRATIONS. The Company shall notify all Holders in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act), either for its own account or for the account of a security holder or security holders, and the Company will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen

(15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) UNDERWRITING. If the registration statement under which the Company gives notice under this Section 2.3 is for an underwritten offering, the Company shall so advise the Holders. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders and persons holding registration rights with respect to the Other Preferred on a pro rata basis based on the total number of Registrable Securities proposed to be included by each Holder and such other persons in the underwriting; and third, to any other shareholder of the Company (other than a Holder or such other persons) on a pro rata basis. No such reduction shall reduce the securities being offered by the Holder to less than 50% of the securities proposed to be sold by them in the offering unless all such shares are excluded. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering.

(b) RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.5 hereof.

2.4 FORM S-3 REGISTRATION. In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are

specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.4:

(i) if Form S-3 (or any successor or similar form) is not available for such offering by the Holders, or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars ($1,000,000), or

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors or the President of the Company stating that in the good-faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.4; provided, that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12) month period, or

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 for the Holders pursuant to this Section 2.4, or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

2.5 EXPENSES OF REGISTRATION. All expenses of registration (exclusive of underwriting discounts and commissions) including, without limitation, the fees and expenses of one special counsel, if any, for the selling shareholders for the demand, piggyback and S-3 registrations shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.2, the request of which has been subsequently withdrawn by the Initiating Holders, unless (a) the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request or (b) the Holders of a majority of Registrable Securities agree to forfeit their right to one requested registration pursuant to Section 2.2, in which event such right shall be forfeited by all Holders. If the Holders are required to pay the

Registration Expenses, such expenses shall be borne by the Holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (a) above, then the Holders shall not forfeit their rights pursuant to Section 2.2 to a demand registration.

2.6 OBLIGATIONS OF THE COMPANY. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through

underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and to such Holder requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

2.7 TERMINATION OF REGISTRATION RIGHTS. All registration rights granted under this Section 2 shall terminate and be of no further force and effect after the earlier of (i) three (3) years after the date of the Company's Initial Offering, or (ii) the date when the Company has completed its Initial Offering and is subject to the provisions of the Exchange Act and (a) all Registrable Securities held by and issuable to such Holder may be sold during any ninety (90) day period and (b) such Holder holds less than one percent (1%) of the Company's outstanding stock under Rule 144(k) (or successor rule promulgated by the SEC), or (iii) on the five-year anniversary of the first closing of the sale of the Series C Preferred Stock.

2.8 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.2, 2.3 or 2.4 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

(c) The Company shall have no obligation with respect to any registration requested pursuant to Section 2.2 if, due to the operation of subsection 2.2(b), the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.2, whichever is applicable.

2.9 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under Section 2.2, 2.3 or 2.4:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and legal counsel of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange

Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 2.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, and legal counsel and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, legal counsel, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 2.9 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.9, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate therein, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.9.

(d) If the indemnification provided for in this Section 2.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 2.9 shall survive completion of any offering of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

2.10 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, general partner, limited partner or retired partner of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) acquires at least fifty thousand (50,000) shares of Registrable Securities (as adjusted for stock splits and combinations); provided, however, (A) the transferor

shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.11 AMENDMENT OF REGISTRATION RIGHTS. Any provision of this Section 2 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least two-thirds (66 2/3%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 2.11 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Section 2, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

2.12 LIMITATION ON SUBSEQUENT REGISTRATION RIGHTS. After the date of this Agreement, the Company shall not, without the prior written consent of the Holders of two-thirds of the Registrable Securities then outstanding, enter into any agreement with any Holder or prospective holder of any securities of the Company that would allow such Holder or prospective Holder to include such securities in any registration filed under Section 2.2 hereof, unless, under the terms of such agreement, (a) the inclusion of such securities in any such registration will not reduce the amount of the Registrable Securities of the Holders included in any such registration, or (b) such Holder or prospective Holder makes a demand registration which results in such registration statement being declared effective prior to the earlier of the dates set forth in Section 2.2(c)(i) or 2.2(c)(iii) or within one hundred twenty (120) days after the effective date of any registration statement pursuant to Section 2.2.

2.13 "MARKET STAND-OFF" AGREEMENT. If requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act; and such Holder shall enter into a reasonable, written lock-up agreement to that effect if requested by the Company or the representative of the underwriters; provided that:

(i) such agreement shall apply only to the Company's Initial Offering; and

(ii) all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

The obligations described in this Section 2.13 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

2.14 RULE 144 REPORTING. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) so long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

3. COVENANTS OF THE COMPANY

3.1 BASIC FINANCIAL INFORMATION AND REPORTING. The Company will maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied, and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles consistently applied.

(a) As soon as practicable after the end of each fiscal year of the Company, the Company will furnish each Investor a consolidated balance sheet of the Company, as at the end of such fiscal year, and a consolidated statement of income and a consolidated statement of cash flows of the Company, for such year, all prepared in accordance with generally accepted accounting principles consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants of national standing selected by the Company's Board of Directors.

(b) The Company will furnish each Investor, as soon as practicable after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company (and in any event within forty-five (45) days thereafter), a consolidated balance sheet of the Company as of the end of each such quarterly period, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles, with the exception that such statements may be unaudited, no notes need be attached to such statements and year-end audit adjustments may not have been made.

(c) So long as an Investor (with its affiliates) shall own not less than five hundred thousand (500,000) shares of Registrable Securities (as adjusted for stock splits and combinations) (a "Major Investor"), the Company will furnish each such Major Investor (i) at least thirty (30) days prior to the beginning of each fiscal year an annual operating plan for such fiscal year (and as soon as available, any subsequent revisions thereto), (ii) as soon as practicable after the end of each month (and in any event within twenty (20) days thereafter), a consolidated balance sheet of the Company as of the end of each such month, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such month and for the current fiscal year to date, including a comparison to plan figures for such period, prepared in accordance with generally accepted accounting principles consistently applied, with the exception that such statements may be unaudited, no notes need be attached to such statements and year-end audit adjustments may not have been made and (iii) within not more than one hundred twenty (120) days after the end of each fiscal year, audited financial statements of the Company.

(d) The rights granted to the Investors under this Section 3.1 shall terminate upon the effective date of the registration statement pertaining to the Threshold Offering.

3.2 INSPECTION AND OTHER RIGHTS. Each Major Investor shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to consult with and advise the officers of the Company with respect to significant business issues, the finances and accounts of the Company or any of its subsidiaries, and to review such information as is reasonably requested, all at such reasonable times and as often as may be reasonably requested; provided, however, that the Company shall not be obligated under this Section 3.2 with respect to a competitor of the Company or with respect to information which the Board of Directors determines in good faith is confidential and should not, therefore, be disclosed. The rights granted to the Major Investors under this Section 3.2 are nonassignable and shall terminate upon the effective date of the registration statement pertaining to the Initial Offering.

3.3 CONFIDENTIALITY OF RECORDS. Each Investor agrees to use, and to use its best commercially reasonable efforts to ensure that its authorized representatives use, the same degree of care as such Investor uses to protect its own confidential information to keep confidential any information furnished to it which the Company identifies as being confidential (so long as such information is not in the public domain), except that such Investor may disclose such confidential information to any partner, subsidiary or parent of such Investor for the purpose of evaluating its investment in the Company as long as such partner, subsidiary or parent is advised of the confidentiality provisions of this Section 3.3. For purposes of this Section 3.3 "confidential information" does not include information, technical data or know-how which (i) is in the Investor's possession at the time of initial disclosure as shown by the Investor's files and records immediately prior to the time of such disclosure; (ii) before or after it has been disclosed to the Investor, is part of the public knowledge or literature, not as a result of any action or inaction of the Investor; or (iii) is approved for release by written authorization of the Company. The provisions of this Section 3.3 shall not apply (i) to the extent that an Investor is required to disclose confidential information pursuant to any law, statute, rule or regulation or any order of any court of competent jurisdiction or pursuant to any requirement (whether or not having the force of law, but if not having the force of law, being of a type with which institutional investors in the relevant jurisdiction are accustomed to comply) of any self-regulating organization or any

governmental, fiscal, monetary or other authority; or (ii) to the disclosure of Confidential Information to an Investor's employees, counsel, accountants or other professional advisors, provided such persons agree to be bound by this Section 3.3.

3.4 BOARD OF DIRECTORS APPROVAL. The Company shall not without the approval of a majority of the Board of Directors take any of the following actions:

(i) adopt any stock option or purchase plan;

(ii) issue or grant any equity securities of the Company or any options or securities convertible into equity securities of the Company;

(iii) adopt an annual budget, business or financial plan;

(iv) enter into any material real estate lease or real property purchase agreement; or

(v) incur any obligation or enter into any agreement in excess of one hundred thousand dollars ($100,000), not otherwise provided for in the Company's most recent annual budget or business plan as approved by the Board of Directors.

(b) The Company shall not without the approval of at least two-thirds of the Board of Directors enter into any transaction with an affiliate.

3.5 PREFERRED STOCK APPROVAL. The Company shall not change its line of business without the approval of a majority of the Series A Shareholders, Series B Shareholders and Series C Shareholders, voting together as a single class.

3.6 RESERVATION OF COMMON STOCK. The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

3.7 VESTING. Unless otherwise approved by the Board of Directors, all stock, stock options and other stock equivalents of the Company issued after the date of this Agreement to employees, directors, consultants and other service providers shall be subject to vesting as follows: (i) twenty-five percent (25%) of such stock (or underlying stock, as the case may be) shall vest at the end of the first year following the earlier of the date of issuance or such person's services commencement date with the Company, and (ii) seventy-five percent (75%) of such stock (or underlying stock, as the case may be) shall vest monthly in equal portions over the ensuing three (3) years. With respect to any shares of stock purchased by any such person, the Company's repurchase option shall provide that upon such person's termination of employment or service with the Company, with or without cause, the Company or its assignee (to the extent permissible under applicable securities laws and other laws) shall have the option to purchase at cost any unvested shares of stock held by such person.

3.8 KEY MAN INSURANCE. Subject to the approval of the Board of Directors, the Company shall obtain (as soon as practicable after the Closing) and maintain in full force and

effect term life insurance in the amount of one million dollars ($1,000,000) on the lives of Dennis Carson and Eyal Raz (the "Founders") and Dino Dina, naming the Company as beneficiary.

3.9 PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT. The Company shall require all employees and consultants to execute and deliver a Proprietary Information and Inventions Agreement in the forms attached to the Purchase Agreement.

3.10 REAL PROPERTY HOLDING CORPORATION. The Company covenants that it will operate in a manner such that it will not become a "United States real property holding corporation" ("USRPHC") as that term is defined in Section 897(c)(2) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder ("FIRPTA"). The Company agrees to make determinations as to its status as a USRPHC, and will file statements concerning those determinations with the Internal Revenue Service, in the manner and at the times required under Reg. Section 1.897-2(h), or any supplementary or successor provision thereto. Within 30 days of a request from an Investor or any of its partners, the Company will inform the requesting party, in the manner set forth in Reg. Section 1.897-2(h)(1)(iv) or any supplementary or successor provision thereto, whether that party's interest in the Company constitutes a United States real property interest (within the meaning of Internal Revenue Code Section 897(c)(1) and the regulations thereunder) and whether the Company has provided to the Internal Revenue Service all required notices as to its USRPHC status.

3.11 REIMBURSEMENT OF EXPENSES. The Company will reimburse the Directors of the Company for reasonable out-of-pocket expenses actually incurred in connection with their services to the Company as Directors, including without limitation, reimbursement for reasonable transportation, lodging and meal expenses incurred in connection with attendance at meetings of the Board of Directors, provided the Company receives receipts and other records of such expenses as reasonably requested by the Company and within sixty (60) days after expenses are incurred.

3.12 INDEMNIFICATION. The Company will use its reasonable efforts to limit the liability, to the fullest extent permissible under the California Corporations Code, of all of its directors and their affiliated parties, including directors affiliated with a Major Investor.

3.13 SMALL BUSINESS ADMINISTRATION MATTERS.

(i) The proceeds from the purchase of the Series C Preferred Stock pursuant to the Agreement shall be used by the Company for working capital and other general corporate purposes, which may include, without limitation, one or more of the following as determined by the Company in its sole discretion: research, development, administration, manufacturing, marketing, sales and distribution. The Company shall provide to representatives of the Purchasers and the Small Business Administration (the "SBA") reasonable access to its books and records for the purpose of confirming such use of the Proceeds or for other purposes reasonably related to the qualification of the financing provided by the Investors to the Company.

(ii) For a period of one (1) year following the Closing (as defined in the Purchase Agreement), the Company shall not change the nature of its business activity if such change would render the Company ineligible, within the meaning of 13 C.F.R. Section 107.720.

(iii) So long as the Investors hold any securities of the Company, the Company will comply at all times with the non-discrimination requirements of 13 C.F.R. Parts 112, 113 and 117.

(iv) Upon the written request of the Investors, and with the cooperation of such Investors, the Company shall deliver to the Investors a written assessment, in form and substance reasonably satisfactory to the Investors, of the economic impact of the Investors' investment in the Company, specifying (a) the full-time equivalent jobs created or retained in connection with the investment, and (b) the impact of the investment on the Company's business, in terms of revenue and profits, and on taxes paid by the Company and its employees. Upon request, the Company promptly (and in any event within twenty (20) days of such request) shall furnish to the Investors all information (a) reasonably requested by them in order for the Investors to comply with the requirements of 13 C.F.R. Section 107.620 or to prepare and file SBA Form 468 and (b) reasonably requested or required by any United States governmental agency asserting jurisdiction over the Investors. Any submission of financial information pursuant to this Section 3.13 shall be under cover of a certificate executed by the Company's president, chief executive officer, chief financial officer or treasurer certifying that such information (i) relates to the Company, (ii) to the best of the Company's knowledge is accurate and (iii) if applicable, has been audited by the Company's independent auditors.

(v) In the event that any of the Investors determines that it has a Regulatory Problem (as defined below), it shall have the right, subject to compliance with all applicable federal and state securities laws, (i) to transfer its Series B Preferred Stock or Series C Preferred Stock without regard to any restrictions on transfer set forth in this Agreement, provided that the transferee agrees to become a party to and to be bound by all of the provisions of each such agreement, and (ii) to require the Company to take all actions as may be reasonably requested by the Investor, as the case may be, in order to (A) effectuate and facilitate any transfer by the Investor of its Series B Preferred Stock or Series C Preferred Stock then held by it to any person designated by the Investor, (B) permit the Investor (or any of its affiliates) to exchange all or any portion of any voting securities of the Company then held by the Investor (or any affiliate), on a share-for-share basis, for non-voting securities of the Company, which non-voting securities shall be identical in all respects to the voting security exchanged therefor (except for voting rights and that the non-voting securities shall be convertible or exchangeable for voting securities on such terms as may be appropriate in light of regulatory considerations then prevailing), and (iii) amend this Agreement to effectuate and reflect the foregoing exchange described in subclause (ii) above. The parties to this Agreement shall be required under this Section to take any action that would adversely affect in any material economic respect such party's rights under this Agreement or as a shareholder of the Company. For purposes of this Section, a "Regulatory Problem" means any set of facts or circumstances wherein both (i) it has been asserted by any governmental regulatory agency with jurisdiction over an Investor that the Investor is not entitled to hold, or exercise any significant right with respect to, the Series B Preferred Stock or the Series C Preferred Stock or the currently unissued Common Stock of the

Company into which the Series B Preferred Stock or Series C Preferred Stock is convertible and (ii) the Investor reasonably determines that such assertion is meritorious and that the solution proposed by the Investor is necessary to cure such regulatory violation by the Investor.

3.14 TERMINATION OF COVENANTS. All covenants of the Company contained in Section 3 of this Agreement, except for that set forth in Section 3.13(iv), shall expire and terminate as to each Investor on the effective date of the registration statement pertaining to the Initial Offering.

4. RIGHTS OF FIRST REFUSAL

4.1 SUBSEQUENT OFFERINGS. Each Investor and Each Founder (each of such Investors and Founders, for purposes of this Section 4, an "Owner") shall have a right of first refusal to purchase its pro rata share of all Equity Securities, as defined below, that the Company may, from time to time, propose to sell and issue after the date of this Agreement, other than the Equity Securities excluded by Section 4.6 hereof. Each Owner's pro rata share, for purposes of this right of first refusal, is equal to the ratio of (A) the number of shares of the Company's Common Stock (including all shares of Common Stock issued or issuable upon conversion of the Shares or exercise of outstanding warrants or options) of which such Owner is deemed to be a holder immediately prior to the issuance of such Equity Securities to (B) the total number of shares of the Company's outstanding Common Stock (including all shares of Common Stock issued or issuable upon conversion of the Shares or upon the exercise of any outstanding warrants or options) immediately prior to the issuance of the Equity Securities. The term "Equity Securities" shall mean (i) any Common Stock, Preferred Stock or other security of the Company, (ii) any security convertible, with or without consideration, into any Common Stock, Preferred Stock or other security (including any option to purchase such a convertible security), (iii) any security carrying any warrant or right to subscribe to or purchase any Common Stock, Preferred Stock or other security or (iv) any such warrant or right.

4.2 EXERCISE OF RIGHTS. If the Company proposes to issue any Equity Securities, it shall give each Owner written notice of its intention, describing the Equity Securities, the price and the terms and conditions upon which the Company proposes to issue the same. Each Owner shall have twenty (20) days from the giving of such notice to agree to purchase its pro rata share of the Equity Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Company and stating therein the quantity of Equity Securities to be purchased. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Equity Securities to any Owner who would cause the Company to be in violation of applicable federal securities laws by virtue of such offer or sale.

4.3 ISSUANCE OF EQUITY SECURITIES TO OTHER PERSONS. If not all of the Owners elect to purchase their pro rata share of the Equity Securities, then the Company shall promptly notify in writing the Owners who do so elect and shall offer such Owners the right to acquire such unsubscribed shares. Each Owner shall have five (5) days after receipt of such notice to notify the Company of its election to purchase all or a portion of the unsubscribed shares. If the Owners fail to exercise in full the rights of first refusal, the Company shall have sixty (60) days thereafter to sell the Equity Securities in respect of which the Owners' rights were not exercised, at a price and upon general terms and conditions materially no more favorable to the purchasers thereof than specified in the Company's notice to the Owners pursuant to Section 4.2 hereof. If

the Company has not sold such Equity Securities within sixty (60) days of the notice provided pursuant to Section 4.2, the Company shall not thereafter issue or sell any Equity Securities, without first offering such securities to the Owners in the manner provided above.

4.4 TERMINATION OF RIGHTS OF FIRST REFUSAL. The rights of first refusal established by this Section 4 shall not apply to Equity Securities offered for sale in the Initial Offering, and such rights shall terminate upon the effective date of the registration statement pertaining to the Threshold Offering.

4.5 TRANSFER OF RIGHTS OF FIRST REFUSAL. The rights of first refusal of each Owner under this Section 4 may be transferred, subject to the same limitations and restrictions as any transfer of registration rights pursuant to Section 2.10 (as necessarily modified to apply to the Founders and/or Common Stock).

4.6 EXCLUDED SECURITIES. The rights of first refusal established by this Section 4 shall have no application to any of the following Equity Securities in a transaction or transactions approved by a majority of the Board of Directors:

(a) shares of Common Stock (and/or options, warrants or other Common Stock purchase rights issued pursuant to such options, warrants or other rights) issued or to be issued to employees, officers or directors of, or consultants or advisors to, the Company or any subsidiary, pursuant to stock purchase or stock option plans or other arrangements;

(b) stock issued pursuant to any rights or agreements outstanding as of the date of this Agreement, options and warrants outstanding as of the date of this Agreement, and stock issued pursuant to any such rights or agreements granted after the date of this Agreement, provided that the rights of first refusal established by this Section 4 applied with respect to the initial sale or grant by the Company of such rights or agreements;

(c) any Equity Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition or similar business combination;

(d) shares of Common Stock issued in connection with any stock split, stock dividend or recapitalization by the Company;

(e) the Shares and any shares of Common Stock issued upon conversion of the Shares;

(f) any Equity Securities issued pursuant to any equipment leasing arrangement, or debt financing from a bank or similar financial institution;

(g) any Equity Securities issued by the Company pursuant to a registration statement filed under the Securities Act; and

(h) shares of the Company's Common Stock or Preferred Stock issued in connection with strategic transactions involving the Company and other entities, including (A) joint ventures, manufacturing, marketing or distribution arrangements or (B) technology transfer or development arrangements.

5. VOTING

5.1 SHARES OF VOTING STOCK. The Investors each agree to hold all shares of voting capital stock of the Company now owned or hereinafter acquired by them (including but not limited to the Shares and all shares of Common Stock issued upon conversion of the Shares), subject to, and to vote such shares in accordance with, the provisions of this Section 5.

5.2 BOARD OF DIRECTORS COMPOSITION. The Board of Directors of the Company shall consist of seven (7) to eight (8) members and will include two (2) representatives of the holders of Series A Preferred Stock, two (2) representatives of the holders of Series B Preferred Stock, one of which shall be designated by Bank of America Ventures and the other of which shall be designated by Forward Ventures and Biotechvest, by mutual agreement, one (1) representative of management of the Company who shall be the Chief Executive Officer, one (1) or two (2) founders of the Company, as determined appropriate by a majority of the Board of Directors, and at least one (1) member who is an outside representative experienced in the industry of the Company, recommended by management of the Company and acceptable to a majority of the Board of Directors.

5.3 TERMINATION. The provisions of this Section 5 shall continue in full force and effect from the date hereof through the earliest of the following dates, upon which their effectiveness shall terminate in their entirety:

(a) the effective date of the registration statement pertaining to the Initial Offering; or

(b) at such time as the Investors hold Shares having the voting power equivalent to that of a number of shares of Common Stock less than five million (5,000,000) (as adjusted for stock splits, combinations and the like); or

(c) upon the conversion of all of the outstanding shares of the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock into shares of Common Stock; or

(d) ten (10) years from the date of this Agreement; or

(e) the date as of which the parties hereto terminate the effectiveness of this Section 5 by written consent of the Founders and a majority in interest of the Investors; or

(f) the date this Agreement is terminated in its entirety.

6. MISCELLANEOUS

6.1 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

6.2 SURVIVAL. The representations, warranties, covenants, and agreements made herein shall survive any investigation made by any Holder and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the Company hereunder solely as of the date of such certificate or instrument.

6.3 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a Holder from time to time; provided, however, that prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the Holder of such Registrable Securities in its records as the absolute owner and Holder of such Registrable Securities for all purposes, including the payment of dividends or any redemption price.

6.4 SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6.5 AMENDMENT AND WAIVER. Except as otherwise expressly provided, the obligations of the Company and the rights of the Holders under this Agreement may be amended, modified or waived only with the written consent of the holders of at least two-thirds (66 2/3%) of the Registrable Securities.

(a) Notwithstanding the foregoing, this Agreement may be amended with only the written consent of the Company to include additional purchasers of Shares as "Investors," "Holders" and parties hereto.

6.6 DELAYS OR OMISSIONS. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement, shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

6.7 NOTICES. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next-day delivery, with written verification of receipt.

All communications shall be sent to the party to be notified at the address as set forth on the signature pages hereof or EXHIBIT A hereto or at such other address as such party may designate by ten (10) days' advance written notice to the other parties hereto.

6.8 ATTORNEYS' FEES. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

6.9 TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

6.10 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this SECOND AMENDED INVESTORS' RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

President & Chief Executive Officer

Address:

Dynavax Technologies Corporation
717 Potter Street, Suite 100
Berkeley, CA 94710

SHAREHOLDER:

THE STATE STREET BANK AND TRUST COMPANY, AS TRUSTEE FOR
NORTHROP GRUMMAN CORPORATION MASTER TRUST

By: /s/ Kevin Miller

Name: Kevin Miller

Title: Assistant Vice President

SHAREHOLDER:

/s/ Andrew Gengos

ANDREW GENGOS

SHAREHOLDER:

STEPHEN J. KANDEL
SSB ROTH CONVERSION IRA CUSTODIAN

By: /s/ Stephen J. Kandel

Stephen J. Kandel

Its: Beneficial Owner

SHAREHOLDER:

BIOINVEST, INC.

By: /s/ S. Pays and H. Maxe

Title: CORPORATE COUNCIL LTD. AS DIRECTOR

SHAREHOLDER:

CHINA DEVELOPMENT INDUSTRIAL BANK

By: /s/ Benny M. Hu

Title: President

SHAREHOLDER:

ONE OBJECTIVE LIMITED
For and on behalf of One Objective Limited

By: /s/ Ching Tzu Chang

Title: Authorized Signature

SHAREHOLDER:

/s/ Walter T. Dec

WALTER T. DEC

SHAREHOLDER:

/s/ Lei-Li Kuan

KUAN LEI-LI

SHAREHOLDER:

RAM TECH CORP.

By: /s/ Shiang-Li Chen

Title: DIRECTOR

SHAREHOLDER:

LILON INVESTMENT LIMITED

By: /s/ Chen John-Ye

John-Ye Chen

Its: Authorized Signatory for and on behalf of
Lilontex Corporation, Sole Director

SHAREHOLDER:

IWAKI FAMILY LIMITED PARTNERSHIP

By: /s/ Iwaki Family Limited Partnership

Title: General Partner

SHAREHOLDER:

ROCK CASTLE I, L.P.

By: /s/ Eric Y. Sato

Title: General Partner

SHAREHOLDER:

/s/ Eric Y. Sato

ERIC Y. SATO

SHAREHOLDER:

SANDERS EDUCATION TRUST, AGREEMENT DATED 12/1/97

By: /s/ Martin E. Sanders

MARTIN E. SANDERS,
TRUSTEE

SHAREHOLDER:

SANDERS FAMILY TRUST, AGREEMENT DATED 5/5/95

By: /s/ Martin E. Sanders

MARTIN E. SANDERS,
TRUSTEE

AND

By: /s/ Corazon D. Sanders

CORAZON D. SANDERS,
TRUSTEE

SHAREHOLDER

/s/ Kathy Stafford

KATHY STAFFORD

SHAREHOLDER

JAFCO L-2 VENTURE CAPITAL INVESTMENT LIMITED PARTNERSHIP

By: /s/ Akira Tsuda

Title: Executive Vice President
JAFCO Co., Ltd.
Its Executive Partner

SHAREHOLDER

JAFCO G-8 (A) INVESTMENT ENTERPRISE PARTNERSHIP

By: /s/ Akira Tsuda

Title: Executive Vice President
JAFCO Co., Ltd.
Its Executive Partner

SHAREHOLDER

JAFCO G-8 (B) INVESTMENT ENTERPRISE PARTNERSHIP

By: /s/ Akira Tsuda

Title: Executive Vice President
JAFCO Co., Ltd.
Its Executive Partner

SHAREHOLDER

JAFCO GC1 INVESTMENT ENTERPRISE PARTNERSHIP

By: /s/ Akira Tsuda

Title: Executive Vice President
JAFCO Co., Ltd.
Its Executive Partner

SHAREHOLDER

LIAM BIOTECHVEST, LLC

By: /s/ Martin Pajor

Title: Capital Member Administrative Committee

SHAREHOLDER

BIOTECHVEST, LP

By: /s/ Biotechvest, L.P.

Title: Vice President Biotechvest II, General Partner

SHAREHOLDER

BIOMERIEUX ALLIANCE S.A.

By: /s/ Alain Merieux

Title: President

SHAREHOLDER

FINEDIX B.V.

By: /s/ Finedix B.V.

Title: Managing Director

SHAREHOLDER

ALTA CALIFORNIA PARTNERS, L.P.

By: /s/ Garrett Gruener

Title: Alta California Management Partners, L.P.,
General Partner

SHAREHOLDER

ALTA EMBARCADERO PARTNERS, LLC

By: /s/ Elaine Walker

Title: Under Power of Attorney

SHAREHOLDER

INTERWEST PARTNERS V, L.P.

By: /s/ Arnold Oronsky

Title:

SHAREHOLDER

INTERWEST INVESTORS V

By: /s/ Arnold Oronsky

Title:

SHAREHOLDER

SANDERLING VENTURE PARTNERS IV, L.P.

By: /s/ Fred A. Middleton

Title: General Partner

SHAREHOLDER

SANDERLING [FERI TRUST] VENTURE PARTNERS IV, L.P.

By: /s/ Fred A. Middleton

Title: General Partner

SHAREHOLDER

SANDERLING IV LIMITED, L.P.

By: /s/ Fred A. Middleton

Title: General Partner

SHAREHOLDER

SANDERLING IV BIOMEDICAL, L.P.

By: /s/ Fred A. Middleton

Title: General Partner

SHAREHOLDER

SANDERLING VENTURES MANAGEMENT IV FBO FRED A. MIDDLETON

By: /s/ Fred A. Middleton

Title: General Partner

SHAREHOLDER

FORWARD VENTURES III, L.P.

By: /s/ Forward Ventures III, L.P.

Title:

SHAREHOLDER

FORWARD VENTURES III INSTITUTIONAL PARTNERS, L.P.

By: /s/ Forward Ventures III Institutional Partners, L.P.

Title:

SHAREHOLDER

AXIOM VENTURE PARTNERS II, L.P.

By: /s/ Linda Sonntag

Title: General Partner

SHAREHOLDER

BANK OF AMERICA VENTURES

By: /s/ Louis C. Bock

Title: Principle

SHAREHOLDER

BA VENTURE PARTNERS IV

By: /s/ Louis C. Bock

Title: General Partner

SHAREHOLDER

/s/ Craig M. Glantz

CRAIG M. GLANTZ

EXHIBIT A

SCHEDULE OF INVESTORS

Name and Address	Shares	Aggregate Purchase Price
bioMerieux Alliance S.A. Chemin de L'Orme 69280 Marcy l'Etoile France	1,000,000	$4,000,000
Finedix B.V. Leidsekade 98 10177 PP Amsterdam, the Netherlands	500,000	$2,000,000
Alta California Partners, L.P. One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attention: Daniel S. Janney	244,416	$977,664
Alta Embarcadero Partners, LLC One Embarcadero Center Suite 4050 San Francisco, CA 94111 Attention: Daniel S. Janney	5,584	$22,336
Forward Ventures III, L.P. 9255 Towne Centre Drive Suite 300 San Diego, CA 92121 Attention: Jeffrey Sollender	26,112	$104,448
Forward Ventures III Institutional Partners, L.P. 9255 Towne Centre Drive Suite 300 San Diego, CA 92121 Attention: Jeffrey Sollender	98,888	$395,552

Name and Address	Shares	Aggregate Purchase Price
InterWest Partners V, L.P. 3000 Sand Hill Road Building 3, Suite 255 Menlo Park, CA 94025-7112 Attention: Arnold Oronsky	248,438	$993,752
InterWest Investors V 3000 Sand Hill Road Building 3, Suite 255 Menlo Park, CA 94025-7112 Attention: Arnold Oronsky	1,562	$6,248
Sanderling Venture Partners IV, L.P. 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	72,588	$290,352
Sanderling IV Limited Partnership, L.P. 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	28,318	$113,272
Sanderling IV Biomedical, L.P. 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	28,258	$113,032
Sanderling [Feri Trust] Venture Partners IV, L.P. 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	8,054	$32,216

Name and Address	Shares	Aggregate Purchase Price
Sanderling IV Venture Management 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	282	$1,128
Sanderling IV Biomedical Co-Investment Fund, L.P. 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	75,000	$300,000
Sanderling Venture Partners IV Co-Investment Fund, L.P. 2730 Sand Hill Road Suite 200 Menlo Park, CA 94025-7067 Attention: Paulette Taylor, Esq.	37,500	$150,000
Axiom Venture Partners II, L.P. One Post Street Suite 2525 San Francisco, CA 94104 Attention: Linda Sonntag	62,500	$250,000
Bank of America Ventures 950 Tower Lane Suite 700 Foster City, CA 94404 Attention: Louis Bock	159,375	$637,500
BA Venture Partners IV 950 Tower Lane Suite 700 Foster City, CA 94404 Attention: Louis Bock	28,125	$112,500
Liam Biotechvest, LLC Suite 2150, Sears Tower 233 S. Wacker Drive Chicago, IL 60606 Attention: Martin Pajor	400,000	$1,600,000

Name and Address	Shares	Aggregate Purchase Price
Biotechvest, LP Suite 2150, Sears Tower 233 S. Wacker Drive Chicago, IL 60606 Attention: Martin Pajor	100,000	$400,000
JAFCO L-2 Venture Capital Investment Limited Partnership Tekko Bldg., 1-8-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Attention: Hiroyuki Hata	93,750	$375,000
JAFCO G-8 (A) Investment Enterprise Partnership Tekko Bldg., 1-8-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Attention: Hiroyuki Hata	93,750	$375,000
JAFCO G-8 (B) Investment Enterprise Partnership Tekko Bldg., 1-8-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Attention: Hiroyuki Hata	93,750	$375,000
JAFCO GC1 Investment Enterprise Partnership Tekko Bldg., 1-8-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Attention: Hiroyuki Hata	93,750	$375,000
Kathy Stafford 10 Blair Avenue Piedmont, CA 94611	15,000	$60,000
Sanders Education Trust, Agreement dated 12/1/97 Martin E. Sanders, Trustee 420 El Centro Road Hillsborough, CA 94010	5,000	$20,000

Name and Address	Shares	Aggregate Purchase Price
Sanders Family Trust, dated 5/5/95 Martin E. Sanders and Corazon D. Sanders, Trustees 420 El Centro Road Hillsborough, CA 94010	15,000	$60,000
Iwaki Family Limited Partnership 613 Via Horquilla Palos Verdes Estates, CA 90274	50,000	$200,000
Rock Castle I, L.P. 23822 West Valencia Boulevard Suite 202 Valencia, CA 91355	82,500	$330,000
Eric Y. Sato 25816 N. Raleigh Lane Stevenson Ranch, CA 91381	12,500	$50,000
Walter T. Dec 8 Marigold Lane Califon, NJ 07830	50,000	$200,000
China Development Industrial Bank Inc. 125 Nanking East Road Section 5 Taipei 105 Taiwan, ROC Attention: Tai-Sen Soong, Ph.D.	500,000	$2,000,000
One Objective Limited P.O. Box 96-140 Taipei 106 Taiwan, ROC	250,000	$1,000,000
Mei-Hui Lu P.O. Box 96-253 Taipei 106 Taiwan, ROC	50,000	$200,000
Lei-Li Kuan c/o Marco Kuo 325-16A Jen-Ai Road, Sec. 4 Taipei, Taiwan, ROC	75,000	$300,000

Name and Address	Shares	Aggregate Purchase Price
Ram Tech Corp. 14F, #117 Min Sheng East Road, Sec. 3 Taipei Taiwan, 105 R.O.C.	250,000	$1,000,000
Lilon Investment Limited 4 Fl., No. 369 Fu-Shing North Road Taipei 105 Taiwan ROC Attention: Ms. Sandy Chen	125,000	$500,000
Stephen J. Kandel SSB Roth Conversion IRA Custodian 1021 Muirlands Drive LaJolla, CA 92037	87,500	$350,000
BioInvest, Inc. Trust House 112 Bonadie Street Kingstown, St. Vincent	75,000	$300,000
Craig M. Glantz 610 Clipper St., Apt. 17 San Francisco, CA 94114	1,250	$5,000
Andrew Gengos 2167 Sky View Court Moraga, CA 94556	25,000	$100,000
The State Street Bank and Trust Company, as trustee for Northrop Grumman Corporation Master Trust 10 South Wacker Drive, Suite 2960 Chicago, IL 60606 Attn: L.B. Thompson, Director, Private Asset Management	500,000	$2,000,000
TOTAL:	5,668,750	$22,675,000

Exhibit 4.4

DYNAVAX TECHNOLOGIES CORPORATION

SERIES S-1 PREFERRED STOCK

PURCHASE AGREEMENT

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SERIES S-1 PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES S-1 PREFERRED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of November 22, 1999, by and among Dynavax Technologies Corporation, a California corporation (the "Company") and Stallergenes S.A. (the "Purchaser").

RECITALS

WHEREAS, the Company has authorized the sale and issuance of an aggregate of two hundred thousand (200,000) shares of its Series S-1 Preferred Stock (the "Shares");

WHEREAS, Purchaser desires to purchase the Shares on the terms and conditions set forth herein; and

WHEREAS, the Company desires to issue and sell the Shares to Purchaser on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

AGREEMENT

SECTION 1. AGREEMENT TO SELL AND PURCHASE.

1.1 AUTHORIZATION OF SHARES.

On or prior to the Closing (as defined in Section 2 below), the Company shall have authorized (i) the sale and issuance to Purchaser of the Shares and (ii) the issuance of such shares of Common Stock to be issued upon conversion of the Shares (the "Conversion Shares"). The Shares and the Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Amended and Restated Articles of Incorporation of the Company, as amended, in the form attached hereto as Exhibit A (the "Amended and Restated Articles").

1.2 SALE AND PURCHASE.

Subject to the terms and conditions hereof, at the Closing (as hereinafter defined) the Company hereby agrees to issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, the Shares, at a purchase price of five dollars ($5.00) per share.

1.3 AGREEMENT TO ADJUST TERMS OF SHARES.

The shares shall not have the anti-dilution protections that are provided in Section 5.1(k)(1) of the Amended and Restated Articles but shall benefit from the protections provided for such shares as set forth elsewhere in Section 5 of the Amended and Restated Articles.

1.4 NO FURTHER ISSUANCE; SECOND ISSUANCE TO PURCHASER.

The Company shall not issue any additional shares of Series S-1 Preferred Stock to any person other than Purchaser without Purchaser's prior written consent. In addition, the further issuance of Series S-1 Preferred in the Company to the Purchaser provided for in Section 3(ii)(2) of the Agreement, dated as of November 2, 1999 between the Company and the Purchaser shall be pursuant to a Stock Purchase Agreement containing terms and conditions substantially similar to those provided in this Agreement; provided, however, that the Series S-1 Conversion Price for such shares then issued shall be adjusted so as to reflect the price per share payable for shares issued in connection with the transaction described in the Comparable Partnering Transaction (as defined as to characteristics and timing in the Amended and Restated Articles) occurring immediately prior to such further issuance or, if there were no such Comparable Partnering Transaction prior to such issuance, in connection with the first Comparable Partnering Transaction occurring subsequent to such issuance; and the Amended and Restated Articles shall be amended accordingly.

SECTION 2. CLOSING, DELIVERY AND PAYMENT.

2.1 CLOSING.

The closing of the sale and purchase of the Shares under this Agreement (the "Closing") shall take place at 10:00 a.m. Pacific time on the date hereof or as soon as practicable following the satisfaction or waiver, if permissible, of the conditions to Closing set forth herein, at the offices of Morrison & Foerster LLP, 425 Market Street, San Francisco, California 94105 or at such other time or place as the Company and Purchasers may mutually agree (such date is hereinafter referred to as the "Closing Date").

2.2 DELIVERY.

At the Closing, subject to the terms and conditions hereof, the Company will deliver to Purchaser certificates representing the number of Shares to be purchased at the Closing by Purchaser, against payment of the purchase price therefor by check, wire transfer made payable to the order of the Company, cancellation of indebtedness or any combination of the foregoing.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to each Purchaser as follows:

3.1 ORGANIZATION, GOOD STANDING AND QUALIFICATION.

The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company has all requisite corporate power and authority to carry on its business as now conducted, to execute and deliver this Agreement, to issue and sell the Shares and the Conversion Shares and to carry out the provisions of this Agreement and the Amended and Restated Articles. The Company is not qualified to transact business as a foreign corporation in any jurisdiction and such qualification is not now required. The Company does not own or control, directly or indirectly, any interest in any other

corporation, limited liability company, partnership, association or similar entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

3.2 CAPITALIZATION; VOTING RIGHTS.

The authorized capital stock of the Company, immediately prior to the Closing, will consist of thirty seven million, seven hundred ninety one thousand three hundred thirty two (37,791,332) shares, twenty one million three hundred fifty eight thousand five hundred forty six (21,358,546) shares of which shall be Common Stock (the "Common Stock") and sixteen million four hundred thirty two thousand seven hundred eighty six (16,432,786) shares of which shall be Preferred Stock (the "Preferred Stock"). Of the Preferred Stock, six million seven hundred thousand (6,700,000) shares are hereby designated "Series A Preferred Stock" (the "Series A Preferred"), nine million thirty two thousand seven hundred eighty six (9,032,786) shares are hereby designated "Series B Preferred Stock" (the "Series B Preferred"), and five hundred thousand (500,000) shares are hereby designated "Series S-1 Preferred Stock" (the "Series S-1 Preferred"). Of the Common Stock, three million four hundred seventy two thousand nine hundred (3,472,900) shares are issued and outstanding, of the six million seven hundred thousand (6,700,000) shares of Series A Preferred Stock, all are issued and outstanding, and of the nine million thirty two thousand seven hundred eighty six (9,032,786) of Series B Preferred Stock, all are issued and outstanding. All issued and outstanding shares of the Company's Common Stock (i) have been duly authorized and validly issued, (ii) are fully paid and nonassessable, and (iii) were issued in compliance with all applicable state and federal laws concerning the issuance of securities. The rights, preferences, privileges and restrictions of the Shares are as stated in the Amended and Restated Articles. The Conversion Shares have been duly and validly reserved for issuance. Other than options to acquire one million five hundred sixty three thousand, six hundred thirty (1,563,630) shares of Common Stock held by officers, employees and consultants of the Company, and First Amended Investor Rights Agreement between the Company, certain holders of its Common Stock, and the holders of its Series A Preferred Stock and Series B Preferred Stock, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholder agreements, or agreements of any kind for the purchase or acquisition from the Company of any of its securities. When issued in compliance with the provisions of this Agreement and the Amended and Restated Articles, the Shares and the Conversion Shares will be validly issued, fully paid and nonassessable, and will be free of any liens or encumbrances; provided, however, that the Shares and the Conversion Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time a transfer is proposed. Except as may be set forth in the Amended and Restated Articles, the Company has no obligation to repurchase any of its stock.

3.3 AUTHORIZATION; BINDING OBLIGATIONS.

All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization of this Agreement, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Shares pursuant hereto and the Conversion Shares pursuant to the Amended and Restated Articles has been taken or will be taken prior to the Closing. This Agreement, when executed and delivered, will be a valid and binding obligation of the Company enforceable in

accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights; (ii) general principles of equity that restrict the availability of equitable remedies; and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws. The sale of the Shares and the subsequent conversion of the Shares into Conversion Shares are not and will not be subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with.

3.4 FINANCIAL STATEMENTS.

The Company has delivered to Purchaser its audited financial statements for the year ended December 31, 1998 and its unaudited financial statements as of September 30, 1999 (collectively, the "Financial Statements"). The Financial Statements are true, correct and complete in all material respects and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except that the unaudited financial statements do not contain all footnote disclosures required by generally accepted accounting principles). The Financial Statements fairly and accurately set out and describe the financial condition and operating results of the Company as of the dates and during the periods indicated therein. Except as set forth in the Financial Statements, the Company has no liabilities, contingent or otherwise, other than (a) liabilities incurred in the ordinary course of business subsequent to September 30, 1999 and (b) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which in both cases, individually or in the aggregate, do not have a material adverse effect on the Company or its business, assets, properties or financial condition.

3.5 AGREEMENTS; ACTION.

(a) Except for agreements explicitly contemplated hereby and agreements between the Company and its employees with respect to the sale of the Company's Common Stock, there are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, affiliates or any affiliate thereof.

(b) There are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company is a party or to its knowledge by which it is bound which may involve (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of twenty five thousand dollars ($25,000) (other than obligations of, or payments to, the Company arising from agreements entered into in the ordinary course of business or to support research being conducted at the University of California, San Diego), or (ii) the license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses arising from the purchase of "off the shelf" or other standard products) and licenses of certain patents from the Regents of the University of California, or (iii) provisions restricting or affecting the development, manufacture or distribution of the Company's products or services, or (iv) indemnification by the Company with respect to infringements of proprietary rights (other than indemnification obligations arising from purchase or sale agreements entered into in the ordinary course of business).

(c) The Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or any other liabilities (other than with respect to dividend obligations, distributions, indebtedness and other obligations incurred in the ordinary course of business) individually in excess of one hundred thousand dollars ($100,000) and in excess of two hundred fifty thousand dollars ($250,000) in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(e) The Company has not engaged in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of the Company with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, or (iii) regarding any other form of acquisition, liquidation, dissolution or winding up of the Company.

3.6 OBLIGATIONS TO RELATED PARTIES.

There are no obligations of the Company to officers, directors, shareholders, or employees of the Company other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). No officer, director or shareholder, or any members of their immediate families, is, directly or indirectly, interested in any material contract with the Company except contracts entered into in connection herewith (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company). The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

3.7 TITLE TO PROPERTIES AND ASSETS; LIENS, ETC.

The Company has good and marketable title to its properties and assets, including the properties and assets reflected in the most recent balance sheet included in the Financial Statements, and good title to its leasehold estates, in each case subject to no mortgage, pledge, lien, lease, encumbrance or charge, other than (i) those resulting from taxes which have not yet become delinquent, (ii) minor liens and encumbrances which do not materially detract from the value of the property subject thereto or materially impair the operations of the Company, and (iii) those that have otherwise arisen in the ordinary course of business. With respect to the property

and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances subject to claims (i)-(iii) above. All facilities, machinery, fixtures, vehicles and other properties owned, leased or used by the Company are in good operating condition, ordinary wear and tear excepted, and are reasonably fit and useable for the purposes to which they are being put.

3.8 PATENTS AND TRADEMARKS.

The Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, information and other proprietary rights and processes necessary for its business as now conducted and as proposed to be conducted, without any known infringement of the rights of others. There are no outstanding options, licenses or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or agreements arising from the purchase of "off the shelf" or standard products. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. The Company is not aware that any of its employees or consultants is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with his or her duties to the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any employee is now obligated. The Company does not believe that it is or will be necessary to utilize any inventions, trade secrets or proprietary information of any of its employees or consultants made prior to their employment or engagement by the Company, except for inventions, trade secrets or proprietary information that have been assigned to or licensed by the Company.

3.9 COMPLIANCE WITH OTHER INSTRUMENTS.

The Company is not in violation or default of any term of its Amended and Restated Articles or Bylaws, or of any provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or by which it is bound or of any judgment, decree, order, writ or, to its knowledge, any statute, rule or regulation applicable to the Company which would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. The execution, delivery, and performance of and compliance with this Agreement, and the issuance and sale of the Shares pursuant hereto and of the Conversion Shares pursuant to the Amended and Restated Articles, will not, with or without the passage of time or giving of notice, result in any such material violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or the

suspension, revocation, impairment, forfeiture or nonrenewal of any permit license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties.

3.10 LITIGATION.

There is no action, suit, proceeding or investigation pending against the Company that questions the validity of this Agreement, or the right of the Company to enter into any of such agreements or to consummate the transactions contemplated hereby or thereby, or which might result, either individually or in the aggregate, in any material adverse change in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions pending or threatened (or any basis therefor known to the Company) involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. There is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

3.11 TAX RETURNS, PAYMENTS AND ELECTIONS.

The Company has timely filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due except in any such case as would not have a material adverse effect on the Company. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date hereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as an S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code, nor has it made any other elections pursuant to the Code (other than elections that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositories.

3.12 EMPLOYEES.

The Company has no collective bargaining agreements with any of its employees. There is no labor union organizing activity pending or, to the Company's knowledge, threatened with respect to the Company. To the best of the Company's knowledge, no employee of the Company, nor any consultant with whom the Company has contracted, is in violation of any term of any employment contract, proprietary information agreement, patent disclosure agreement or any other agreement relating to the right of any such individual to be employed by, or to contract with, the Company because of the nature of the business to be conducted by the Company; and to the best of the Company's knowledge, the continued employment by the Company of its present employees, and the performance of the Company's contract with its independent contractors, will not result in any such violation. The Company has not received any written notice alleging that any such violation has occurred. No employee of the Company has been granted the right to continued employment by the Company or to any material compensation following termination of employment with the Company. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any officer, key employee, or group of key employees.

3.13 REGISTRATION RIGHTS.

Except as required pursuant to the First Amended Investors' Rights Agreement, the Company is presently not under any obligation, and has not granted any rights, to register any of the Company's presently outstanding securities or any of its securities that may hereafter be issued. Other than a right to request that the Company initiate a registration of securities, the registration rights provided to the holders of the Company's Series A Preferred Stock and Series B Preferred Stock in the First Amended Investor Rights Agreement are substantially identical to those provided in Section 6 of this Agreement.

3.14 COMPLIANCE WITH LAWS; PERMITS.

The Company is not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties which violation would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. No governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of this Agreement and the issuance of the Shares or the Conversion Shares, except such as has been duly and validly obtained or filed, or with respect to any filings that must be made after the Closing. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects or financial condition of the Company and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted.

3.15 OFFERING VALID.

Assuming the accuracy of the representations and warranties of the Purchaser contained in Section 4.2 hereof, the offer, sale and issuance of the Shares and the Conversion Shares will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Shares to any person or persons so as to bring the sale of such Shares by the Company within the registration provisions of the Securities Act.

3.16 ENVIRONMENTAL REQUIREMENTS.

(a) To the best of the Company's knowledge, the Company has not caused or allowed, nor has the Company contracted with any party for, the generation, use, transportation, treatment, storage or disposal of any Hazardous Substances (as defined below) in connection with the operations of its business or otherwise, other than cleaning, maintenance and similar supplies used in the ordinary course of business.

(b) To the best of the Company's knowledge, the Company, the operations of its business, and any real property that the Company owns, leases, or otherwise occupies or uses (the "Premises") are in substantial compliance with all applicable Environmental Laws (as defined below) and orders or directives of any governmental authorities having jurisdiction under such Environmental Laws including, without limitation, any Environmental Laws or orders or directives with respect to any cleanup or remediation of any release or threat of release of Hazardous Substances.

(c) The Company has not received any citation, directive, letter or other communication, written or oral, or any notice of any proceedings, claims or lawsuits, from any person, entity or governmental authority arising out of the ownership or occupation of the Premises, or the conduct of its operations, nor is it aware of any basis thereof.

(d) To the best of the Company's knowledge, the Company has obtained and is maintaining in full force and effect all necessary permits, licenses and approvals required by any Environmental Laws, if any, applicable to the Premises and the business operations conducted thereon (including operations conducted by tenants on the Premises) and is in substantial compliance with all such permits, licenses and approvals.

(e) The Company has not caused, or allowed a release, or a threat of release, of any Hazardous Substance into, nor to the best of the Company's knowledge has the Premises or any property at or near the Premises ever been subject to a release, or a threat of a release, of any Hazardous Substance.

For purposes of this Section 3.16, the term, "Environmental Laws" shall mean any federal, state or local law, ordinance or regulation pertaining to the protection of human health or

the environment including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sections 9601, et seq., Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Sections 11001, et seq., and the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq.

For purposes of this Section 3.16, the term, "Hazardous Substance" includes oil and petroleum products, asbestos, polychlorinated biphenyls and urea formaldehyde, and any other materials classified as hazardous or toxic under any Environmental Laws.

3.17 FULL DISCLOSURE.

This Agreement, the Exhibits hereto, and all other documents delivered by the Company to Purchaser or its attorneys or agents in connection herewith or therewith or with the transactions contemplated hereby or thereby, when taken as a whole, neither contain any untrue statement of a material fact nor omit to state a material fact necessary to make the statements contained herein or therein not misleading.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

Purchaser hereby represents and warrants to the Company as follows (such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 REQUISITE POWER AND AUTHORITY.

Purchaser has all necessary power and authority under all applicable provisions of law to execute and deliver this Agreement and to carry out its provisions. All actions on Purchaser's part required for the lawful execution and delivery of this Agreement have been or will be effectively taken prior to the Closing. Upon their execution and delivery, this Agreement will be a valid and binding obligation of Purchaser, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and (ii) general principles of equity that restrict the availability of equitable remedies, and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws.

4.2 INVESTMENT REPRESENTATIONS.

Purchaser understands that neither the Shares nor the Conversion Shares have been registered under the Securities Act. Purchaser also understands that the Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon Purchaser's representations contained in the Agreement. Purchaser hereby represents and warrants as follows:

(a) PURCHASER BEARS ECONOMIC RISK.

Purchaser has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating

the merits and risks of its investment in the Company and has the capacity to protect its own interests. Purchaser must bear the economic risk of this investment indefinitely unless the Shares (or the Conversion Shares) are registered pursuant to the Securities Act, or an exemption from registration is available. Purchaser understands that the Company has no present intention of registering the Shares, the Conversion Shares or any shares of its Common Stock. Purchaser also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow Purchaser to transfer all or any portion of the Shares or the Conversion Shares under the circumstances, in the amounts or at the times Purchaser might propose.

(b) ACQUISITION FOR OWN ACCOUNT.

Purchaser is acquiring the Shares and the Conversion Shares for Purchaser's own account for investment only, and not with a view towards their distribution.

(c) PURCHASER CAN PROTECT ITS INTEREST.

Purchaser represents that by reason of its, or of its management's, business or financial experience, Purchaser has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Further, Purchaser is aware of no publication of any advertisement in connection with the transactions contemplated in the Agreement.

(d) ACCREDITED INVESTOR.

Purchaser represents that it is an accredited investor within the meaning of Regulation D under the Securities Act.

(e) COMPANY INFORMATION.

Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's financial statements, operations and facilities. Purchaser has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) RULE 144.

Purchaser acknowledges and agrees that the Shares, and, if issued, the Conversion Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the Securities Act, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being through an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended) and the number of shares being sold during any three-month period not exceeding specified limitations.

4.3 TRANSFER RESTRICTIONS.

The Purchaser acknowledges and agrees that the Shares and, if issued, the Conversion Shares are subject to restrictions on transfer as set forth in the Amended and Restated Articles.

SECTION 5. CONDITIONS TO CLOSING.

5.1 CONDITIONS TO PURCHASERS' OBLIGATIONS AT THE CLOSING.

Purchasers' obligations to purchase the Shares at the Closing are subject to the satisfaction, at or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE; PERFORMANCE OF OBLIGATIONS.

The representations and warranties made by the Company in Section 3 hereof shall be true and correct in all material respects as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) CONSENTS, PERMITS, AND WAIVERS.

The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

(c) FILING OF AMENDED AND RESTATED ARTICLES.

The Amended and Restated Articles substantially in the form attached hereto as Exhibit A shall have been filed with the Secretary of State of the State of California.

(d) RESERVATION OF CONVERSION SHARES.

The Conversion Shares issuable upon conversion of the Shares shall have been duly authorized and reserved for issuance upon such conversion.

(e) STOCK CERTIFICATES.

The stock certificates representing the Shares shall have been delivered to the Secretary of the Company and shall have had appropriate legends placed upon them.

(f) PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated at the Closing hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Purchaser, and the Purchaser shall have

received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(g) CONTINUED EFFECTIVENESS.

This Agreement and other agreements contemplated hereby shall continue to be in full force and effect.

(h) CERTIFICATE OF PRESIDENT.

The Purchaser shall have received a certificate of the President of the Company dated such Closing Date to the effect that (i) the representations and warranties made by the Company in Article 3 hereof are true and correct in all material respects as of the Closing with the same force and effect as if they had been made as of the Closing, except those made as to a particular date which shall be true as of such date;

(i) LEGAL INVESTMENT.

On the Closing Date, the sale and issuance of the Shares shall be legally permitted by all laws and regulations to which the Purchaser and the Company are subject.

(j) LEGAL OPINION.

The Purchaser shall have received from legal counsel to the Company a favorable opinion addressed to the Purchaser, dated as of the Closing Date, in form and substance reasonably satisfactory to the Purchaser.

(k) NO VIOLATIONS.

The purchase of and payment for the Shares to be purchased by the Purchaser on the Closing Date on the terms and conditions herein provided shall not violate any applicable law or governmental regulation.

5.2 CONDITIONS TO OBLIGATIONS OF THE COMPANY.

The Company's obligation to issue and sell the Shares at the Closing is subject to the satisfaction, on or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE.

The representations and warranties made by Purchaser in Section 4 hereof shall be true and correct in all material respects at the date of the Closing, with the same force and effect as if they had been made on and as of said date.

(b) PERFORMANCE OF OBLIGATIONS.

Purchaser shall have performed and complied with all agreements and conditions herein required to be performed or complied with by Purchaser on or prior to the Closing.

(c) FILING OF AMENDED AND RESTATED ARTICLES.

The Amended and Restated Articles substantially in the form attached hereto as Exhibit A shall have been filed with the Secretary of State of the State of California.

(d) CONSENTS, PERMITS, AND WAIVERS.

The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

SECTION 6. REGISTRATION RIGHTS.

6.1 DEFINITIONS.

As used in this Section 6, the following terms shall have the following respective meanings:

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORM S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"HOLDER" means any person owning of record Shares or Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 6.9 hereof.

"INITIAL OFFERING" means the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

"REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares; (ii) Common Stock of the Company issued or issuable upon conversion of the Series A and Series B Preferred Stock of the Company; (iii) Common Stock of the Company issued or issuable either directly, or upon conversion of any other Series of Preferred Stock, the holders of which are granted registration rights by the Company, and (iv) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities.

Notwithstanding the foregoing, Registrable Securities shall not include any securities either sold by a person to the public pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under Section 6 of this Agreement are not assigned.

"REGISTRABLE SECURITIES THEN OUTSTANDING" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

"REGISTRATION EXPENSES" shall mean all expenses incurred by the Company in complying with Sections 6.2 and 6.3 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding fees and disbursements of additional counsel for any of the Holders, which fees and disbursements shall be the obligations of such Holders, and excluding the compensation of regular employees of the Company, which compensation shall be paid in any event by the Company).

"SEC" or "COMMISSION" means the Securities and Exchange Commission.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLING EXPENSES" shall mean all underwriting discounts and selling commissions applicable to the sale of Shares pursuant to the Agreement or the Purchase Agreement.

"SHARES" shall mean the Company's Series S-1 Stock issued pursuant to this Purchase Agreement.

6.2 PIGGYBACK REGISTRATIONS.

The Company shall notify all Holders in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act), either for its own account or for the account of a security holder or security holders, and the Company will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) UNDERWRITING.

If the registration statement under which the Company gives notice under this Section 6.2 is for an underwritten offering, the Company shall so advise the Holders. In such event, the right of any such Holder to be included in a registration pursuant to this Section 6.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a pro rata basis based on the total number of Registrable Securities proposed to be included by each Holder in the underwriting; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. No such reduction shall reduce the securities being offered by the Holders to less than 50% of the securities proposed to be sold by them in the offering unless all such shares other than shares held by Holders exercising a demand registration right are excluded. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering.

(b) RIGHT TO TERMINATE REGISTRATION.

The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 6.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 6.4 hereof.

6.3 FORM S-3 REGISTRATION.

In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that

the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 6.3:

(i) if Form S-3 (or any successor or similar form) is not available for such offering by the Holders, or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars ($1,000,000), or

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors or the President of the Company stating that in the good-faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 6.3; provided, that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12) month period, or

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 for the Holders pursuant to this Section 6.3, or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

6.4 EXPENSES OF REGISTRATION.

All expenses of registration (exclusive of underwriting discounts and commissions) including, without limitation, the fees and expenses of one special counsel, if any, for the selling shareholders for the demand, piggyback and S-3 registrations shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered.

6.5 OBLIGATIONS OF THE COMPANY.

Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and to such Holder requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and if

permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

6.6 TERMINATION OF REGISTRATION RIGHTS.

All registration rights granted under this Section 6 shall terminate and be of no further force and effect after the earlier of (i) three (3) years after the date of the Company's Initial Offering, or (ii) the date when the Company has completed its Initial Offering and is subject to the provisions of the Exchange Act and (a) all Registrable Securities held by and issuable to such Holder may be sold during any ninety (90) day period and (b) such Holder holds less than one percent (1%) of the Company's outstanding stock under Rule 144(k) (or successor rule promulgated by the SEC).

6.7 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 6.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 6.2 or 6.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

6.8 INDEMNIFICATION.

In the event any Registrable Securities are included in a registration statement under Sections 6.2 or 6.3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and legal counsel of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim,

damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, and legal counsel and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, legal counsel, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 6.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 6.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 6.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6.8, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate therein, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its

ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 6.8.

(d) If the indemnification provided for in this Section 6.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 6.8 shall survive completion of any offering of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

6.9 ASSIGNMENT OF REGISTRATION RIGHTS.

The rights to cause the Company to register Registrable Securities pursuant to this Section 6 may be assigned by a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, general partner, limited partner or retired partner of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) acquires at least fifty thousand (50,000) shares of Registrable Securities (as adjusted for stock splits and combinations); provided, however, (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

6.10 AMENDMENT OF REGISTRATION RIGHTS.

Any provision of this Section 6 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least two-thirds (66 2/3%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 6.10 shall be binding upon each Holder and the Company. By acceptance of any

benefits under this Section 6, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

6.11 "MARKET STAND-OFF"AGREEMENT.

If requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act; and such Holder shall enter into a reasonable, written lock-up agreement to that effect if requested by the Company or the representative of the underwriters; provided that:

(i) such agreement shall apply only to the Company's Initial Offering; and

(ii) all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

The obligations described in this Section 6.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

6.12 RULE 144 REPORTING.

With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) so long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 7. MISCELLANEOUS.

7.1 GOVERNING LAW.

This Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and performed entirely in California.

7.2 SURVIVAL.

The representations, warranties, covenants and agreements made herein shall survive any investigation made by Purchaser and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of a party pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by such party hereunder solely as of the date of such certificate or instrument.

7.3 SUCCESSORS AND ASSIGNS.

Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of the Shares from time to time.

7.4 ENTIRE AGREEMENT.

This Agreement, any and all exhibits and schedules hereto and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.5 SEVERABILITY.

In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.6 AMENDMENT AND WAIVER.

This Agreement may be amended, modified or waived only upon the written consent of the Company and Purchaser.

7.7 DELAYS OR OMISSIONS.

It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such

breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on Purchaser's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

7.8 NOTICES.

All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at its address as set forth on the signature page hereof and to Purchaser at its address as set forth on the signature page hereof, or at such other address as the Company or Purchaser may designate by ten (10) days advance written notice to the other parties hereto.

7.9 EXPENSES.

The Company and Purchaser shall each pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.10 ATTORNEYS' FEES.

In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party or parties in such dispute shall be entitled to recover from the losing party or parties all fees, costs and expenses of enforcing any right of such prevailing party or parties under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 TITLES AND SUBTITLES.

The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 BROKER'S FEES.

Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this paragraph being untrue.

7.14 PRONOUNS.

All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

IN WITNESS WHEREOF, the parties hereto have executed the SERIES S-1 PREFERRED STOCK PURCHASE AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:	PURCHASER:
DYNAVAX TECHNOLOGIES CORPORATION	STALLERGENES S.A.
By: /s/ Dino Dina	By: /s/ Albert Saporta
President & CEO	Albert Saporta, PDG
ADDRESS:	
Dynavax Technologies Corporation 717 Potter Street, Suite 100 Berkeley, CA 94710	Stallergenes S. A. 6, rue Alexis de Tocqueville 92183 Antony, Cedex, France

Exhibit 4.5

DYNAVAX TECHNOLOGIES CORPORATION

SERIES S-1 PREFERRED STOCK

PURCHASE AGREEMENT

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SERIES S-1 PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES S-1 PREFERRED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of March 15, 2000, by and among Dynavax Technologies Corporation, a California corporation (the "Company") and Stallergenes S.A. (the "Purchaser").

RECITALS

WHEREAS, the Company and the Purchaser entered into a Series S-1 Preferred Stock Purchase Agreement dated November 22, 1999 pursuant to which the Company sold to Purchaser two hundred thousand (200,000) shares of its Series S-1 Preferred Stock for a purchase price of $5.00 per share, with the rights and preferences of the Series S-1 Preferred Stock being established by the terms of the Amended and Restated Articles of Incorporation of the Company in effect on the date of this Agreement; and

WHEREAS, the Purchaser is obligated to purchase an additional 200,000 shares of Series S-1 Preferred Stock from the Company (the "Shares") upon occurrence of certain conditions, as set forth in that certain Agreement dated November 2, 1999 (the "Other Agreement");

WHEREAS, both the Company and the Purchaser have determined that it is in their mutual interests that the Additional Shares be sold pursuant to the terms of this Agreement on the terms and conditions set forth herein; and

WHEREAS, the Purchaser desires to consent to the waiver of certain rights it has under the terms of the Series S-1 Preferred Stock and to an amendment of the terms of such stock.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

AGREEMENT

SECTION 1. AGREEMENT TO SELL AND PURCHASE.

1.1 AUTHORIZATION OF SHARES.

On or prior to the Closing (as defined in Section 2 below), the Company shall have authorized (i) the sale and issuance to Purchaser of the Shares and (ii) the issuance of such shares of Common Stock to be issued upon conversion of the Shares (the "Conversion Shares").

1.2 SALE AND PURCHASE.

Subject to the terms and conditions hereof, at the Closing (as hereinafter defined) the Company hereby agrees to issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, the Shares, at a purchase price of five dollars ($5.00) per share.

1.3 AGREEMENT TO ADJUST TERMS OF SHARES.

The Purchaser hereby irrevocably waives, on behalf of itself and any future holder or assignee of the Series S-1 Preferred Stock, any right it may have to claim that there has been, as a result of past events, or that it may have to claim as a result of future events, any adjustment of the Conversion Price of the Series S-1 Preferred Stock under Section 5(k)(2) of the Amended and Restated Articles. By effecting the Closing under this Agreement, the Purchaser shall be deemed to have consented to an amendment of the Amended and Restated Articles deleting the provisions of Section 5(k)(2). The Purchaser shall benefit from any other protections provided for the Series S-1 Preferred Stock as set forth elsewhere in Section 5 of the Amended and Restated Articles as so amended.

1.4 NO FURTHER ISSUANCE; SECOND ISSUANCE TO PURCHASER.

The Company shall not issue any additional shares of Series S-1 Preferred Stock to any person other than Purchaser without Purchaser's prior written consent.

SECTION 2. CLOSING, DELIVERY AND PAYMENT.

2.1 CLOSING.

The closing of the sale and purchase of the Shares under this Agreement (the "Closing") shall take place at 10:00 a.m. Pacific time on March 17, 2000 or as soon as practicable thereafter following the satisfaction or waiver, if permissible, of the conditions to Closing set forth herein, at the offices of Morrison & Foerster LLP, 425 Market Street, San Francisco, California 94105 or at such other time or place as the Company and Purchasers may mutually agree (such date is hereinafter referred to as the "Closing Date").

2.2 DELIVERY.

At the Closing, subject to the terms and conditions hereof, the Company will deliver to Purchaser certificates representing the number of Shares to be purchased at the Closing by Purchaser, against payment of the purchase price therefor by check, wire transfer made payable to the order of the Company, cancellation of indebtedness or any combination of the foregoing.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to each Purchaser as follows:

3.1 ORGANIZATION, GOOD STANDING AND QUALIFICATION.

The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company has all requisite corporate power and authority to carry on its business as now conducted, to execute and deliver this Agreement, to issue and sell the Shares and the Conversion Shares and to carry out the provisions of this Agreement and the Amended and Restated Articles. The Company is not qualified to transact business as a foreign corporation in any jurisdiction and such qualification is not now required. The Company does not own or control, directly or indirectly, any interest in any other corporation, limited liability company, partnership, association or similar entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

3.2 CAPITALIZATION; VOTING RIGHTS.

The authorized capital stock of the Company, immediately prior to the Closing, will consist of thirty nine million, seven hundred ninety one thousand three hundred thirty two (39,791,332) shares, twenty two million three hundred fifty eight thousand five hundred forty six (22,358,546) shares of which shall be Common Stock (the "Common Stock") and seventeen million four hundred thirty two thousand seven hundred eighty six (17,432,786) shares of which shall be Preferred Stock (the "Preferred Stock"). Of the Preferred Stock, six million seven hundred thousand (6,700,000) shares are designated "Series A Preferred Stock" (the "Series A Preferred"), nine million thirty two thousand seven hundred eighty six (9,032,786) shares are designated "Series B Preferred Stock" (the "Series B Preferred"), five hundred thousand (500,000) shares designated "Series S-1 Preferred Stock" (the "Series S-1 Preferred") and four hundred thirty thousand one hundred eight (430,108) shares are designated "Series R Preferred Stock" (the "Series R Preferred"). On the date hereof, three million six hundred thirty three thousand sixteen (3,633,016) shares of Common Stock are issued and outstanding, six million seven hundred thousand (6,700,000) shares of Series A Preferred Stock are issued and outstanding, nine million thirty two thousand seven hundred eighty six (9,032,786) shares of Series B Preferred Stock are issued and outstanding, two hundred thousand (200,000) shares of Series S-1 Preferred Stock are outstanding and four hundred thirty thousand one hundred eight (430,108) shares of Series R Preferred are issued and outstanding. All issued and outstanding shares of the Company's capital stock (i) have been duly authorized and validly issued, (ii) are fully paid and nonassessable, and (iii) were issued in compliance with all applicable state and federal laws concerning the issuance of securities. The rights, preferences, privileges and restrictions of the Shares are as stated in the Amended and Restated Articles. The Conversion Shares have been duly and validly reserved for issuance. Other than options to acquire one million five hundred twenty nine thousand, ninety three (1,529,093) shares of Common Stock held by officers, employees and consultants of the Company, and the First Amended Investor Rights Agreement between the Company, certain holders of its Common Stock, and the holders of its Series A Preferred Stock and Series B Preferred Stock, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholder agreements, or agreements of any kind for the purchase or acquisition from the Company of any of its securities. When issued in compliance with the provisions of this Agreement and the Amended and Restated Articles, the Shares and the Conversion Shares will be validly issued, fully paid and nonassessable, and will be free of any liens or encumbrances; provided, however, that the Shares and the Conversion Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time a transfer is proposed. Except as may be set forth in the Amended and Restated Articles, the Company has no obligation to repurchase any of its stock.

3.3 AUTHORIZATION; BINDING OBLIGATIONS.

All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization of this Agreement, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Shares pursuant hereto and the Conversion Shares pursuant to the Amended and Restated Articles has been taken or will be taken prior to the Closing. This Agreement, when executed and delivered, will be a valid and binding obligation of the Company enforceable in

accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights; (ii) general principles of equity that restrict the availability of equitable remedies; and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws. The sale of the Shares and the subsequent conversion of the Shares into Conversion Shares are not and will not be subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with.

3.4 FINANCIAL STATEMENTS.

The Company has delivered to Purchaser its audited financial statements for the year ended December 31, 1998 and its unaudited financial statements as of September 30, 1999 (collectively, the "Financial Statements"). The Financial Statements are true, correct and complete in all material respects and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except that the unaudited financial statements do not contain all footnote disclosures required by generally accepted accounting principles). The Financial Statements fairly and accurately set out and describe the financial condition and operating results of the Company as of the dates and during the periods indicated therein. Except as set forth in the Financial Statements, the Company has no liabilities, contingent or otherwise, other than (a) liabilities incurred in the ordinary course of business subsequent to September 30, 1999 and (b) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which in both cases, individually or in the aggregate, do not have a material adverse effect on the Company or its business, assets, properties or financial condition.

3.5 AGREEMENTS; ACTION.

(a) Except for agreements explicitly contemplated hereby and agreements between the Company and its employees with respect to the sale of the Company's Common Stock, there are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, affiliates or any affiliate thereof.

(b) There are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company is a party or to its knowledge by which it is bound which may involve (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of twenty five thousand dollars ($25,000) (other than obligations of, or payments to, the Company arising from agreements entered into in the ordinary course of business or to support research being conducted at the University of California, San Diego), or (ii) the license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses arising from the purchase of "off the shelf" or other standard products) and licenses of certain patents from the Regents of the University of California, or (iii) provisions restricting or affecting the development, manufacture or distribution of the Company's products or services, or (iv) indemnification by the Company with respect to infringements of proprietary rights (other than indemnification obligations arising from purchase or sale agreements entered into in the ordinary course of business).

(c) The Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or any other liabilities (other than with respect to dividend obligations, distributions, indebtedness and other obligations incurred in the ordinary course of business) individually in excess of one hundred thousand dollars ($100,000) and in excess of two hundred fifty thousand dollars ($250,000) in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(e) The Company has not engaged in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of the Company with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, or (iii) regarding any other form of acquisition, liquidation, dissolution or winding up of the Company.

3.6 OBLIGATIONS TO RELATED PARTIES.

There are no obligations of the Company to officers, directors, shareholders, or employees of the Company other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). No officer, director or shareholder, or any members of their immediate families, is, directly or indirectly, interested in any material contract with the Company except contracts entered into in connection herewith (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company). The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

3.7 TITLE TO PROPERTIES AND ASSETS; LIENS, ETC.

The Company has good and marketable title to its properties and assets, including the properties and assets reflected in the most recent balance sheet included in the Financial Statements, and good title to its leasehold estates, in each case subject to no mortgage, pledge, lien, lease, encumbrance or charge, other than (i) those resulting from taxes which have not yet become delinquent, (ii) minor liens and encumbrances which do not materially detract from the value of the property subject thereto or materially impair the operations of the Company, and (iii) those that have otherwise arisen in the ordinary course of business. With respect to the property

and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances subject to claims (i)-(iii) above. All facilities, machinery, fixtures, vehicles and other properties owned, leased or used by the Company are in good operating condition, ordinary wear and tear excepted, and are reasonably fit and useable for the purposes to which they are being put.

3.8 PATENTS AND TRADEMARKS.

The Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, information and other proprietary rights and processes necessary for its business as now conducted and as proposed to be conducted, without any known infringement of the rights of others. There are no outstanding options, licenses or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or agreements arising from the purchase of "off the shelf" or standard products. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. The Company is not aware that any of its employees or consultants is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with his or her duties to the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any employee is now obligated. The Company does not believe that it is or will be necessary to utilize any inventions, trade secrets or proprietary information of any of its employees or consultants made prior to their employment or engagement by the Company, except for inventions, trade secrets or proprietary information that have been assigned to or licensed by the Company.

3.9 COMPLIANCE WITH OTHER INSTRUMENTS.

The Company is not in violation or default of any term of its Amended and Restated Articles or Bylaws, or of any provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or by which it is bound or of any judgment, decree, order, writ or, to its knowledge, any statute, rule or regulation applicable to the Company which would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. The execution, delivery, and performance of and compliance with this Agreement, and the issuance and sale of the Shares pursuant hereto and of the Conversion Shares pursuant to the Amended and Restated Articles, will not, with or without the passage of time or giving of notice, result in any such material violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or the

suspension, revocation, impairment, forfeiture or nonrenewal of any permit license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties.

3.10 LITIGATION.

There is no action, suit, proceeding or investigation pending against the Company that questions the validity of this Agreement, or the right of the Company to enter into any of such agreements or to consummate the transactions contemplated hereby or thereby, or which might result, either individually or in the aggregate, in any material adverse change in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions pending or threatened (or any basis therefor known to the Company) involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. There is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

3.11 TAX RETURNS, PAYMENTS AND ELECTIONS.

The Company has timely filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due except in any such case as would not have a material adverse effect on the Company. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date hereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as an S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code, nor has it made any other elections pursuant to the Code (other than elections that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositories.

3.12 EMPLOYEES.

The Company has no collective bargaining agreements with any of its employees. There is no labor union organizing activity pending or, to the Company's knowledge, threatened with respect to the Company. To the best of the Company's knowledge, no employee of the Company, nor any consultant with whom the Company has contracted, is in violation of any term of any employment contract, proprietary information agreement, patent disclosure agreement or any other agreement relating to the right of any such individual to be employed by, or to contract with, the Company because of the nature of the business to be conducted by the Company; and to the best of the Company's knowledge, the continued employment by the Company of its present employees, and the performance of the Company's contract with its independent contractors, will not result in any such violation. The Company has not received any written notice alleging that any such violation has occurred. No employee of the Company has been granted the right to continued employment by the Company or to any material compensation following termination of employment with the Company. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any officer, key employee, or group of key employees.

3.13 REGISTRATION RIGHTS.

Except as required pursuant to the First Amended Investors' Rights Agreement and pursuant to the terms of a Series R Preferred Stock Purchase Agreement dated March 7, 2000 between the Company and Aventis Pasteur, S.A., the Company is presently not under any obligation, and has not granted any rights, to register any of the Company's presently outstanding securities or any of its securities that may hereafter be issued. Other than a right to request that the Company initiate a registration of securities, the registration rights provided to the holders of the Company's Series A Preferred Stock and Series B Preferred Stock in the First Amended Investor Rights Agreement are substantially identical to those provided in Section 6 of this Agreement and the registration rights provided in the Series R Preferred Stock Purchase Agreement are identical to those provided in Section 6 of this Agreement.

3.14 COMPLIANCE WITH LAWS; PERMITS.

The Company is not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties which violation would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. No governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of this Agreement and the issuance of the Shares or the Conversion Shares, except such as has been duly and validly obtained or filed, or with respect to any filings that must be made after the Closing. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties,

prospects or financial condition of the Company and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted.

3.15 OFFERING VALID.

Assuming the accuracy of the representations and warranties of the Purchaser contained in Section 4.2 hereof, the offer, sale and issuance of the Shares and the Conversion Shares will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Shares to any person or persons so as to bring the sale of such Shares by the Company within the registration provisions of the Securities Act.

3.16 ENVIRONMENTAL REQUIREMENTS.

(a) To the best of the Company's knowledge, the Company has not caused or allowed, nor has the Company contracted with any party for, the generation, use, transportation, treatment, storage or disposal of any Hazardous Substances (as defined below) in connection with the operations of its business or otherwise, other than cleaning, maintenance and similar supplies used in the ordinary course of business.

(b) To the best of the Company's knowledge, the Company, the operations of its business, and any real property that the Company owns, leases, or otherwise occupies or uses (the "Premises") are in substantial compliance with all applicable Environmental Laws (as defined below) and orders or directives of any governmental authorities having jurisdiction under such Environmental Laws including, without limitation, any Environmental Laws or orders or directives with respect to any cleanup or remediation of any release or threat of release of Hazardous Substances.

(c) The Company has not received any citation, directive, letter or other communication, written or oral, or any notice of any proceedings, claims or lawsuits, from any person, entity or governmental authority arising out of the ownership or occupation of the Premises, or the conduct of its operations, nor is it aware of any basis thereof.

(d) To the best of the Company's knowledge, the Company has obtained and is maintaining in full force and effect all necessary permits, licenses and approvals required by any Environmental Laws, if any, applicable to the Premises and the business operations conducted thereon (including operations conducted by tenants on the Premises) and is in substantial compliance with all such permits, licenses and approvals.

(e) The Company has not caused, or allowed a release, or a threat of release, of any Hazardous Substance into, nor to the best of the Company's knowledge has the Premises or any property at or near the Premises ever been subject to a release, or a threat of a release, of any Hazardous Substance.

For purposes of this Section 3.16, the term, "Environmental Laws" shall mean any federal, state or local law, ordinance or regulation pertaining to the protection of human health or the environment including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sections 9601, et seq., Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Sections 11001, et seq., and the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq.

For purposes of this Section 3.16, the term, "Hazardous Substance" includes oil and petroleum products, asbestos, polychlorinated biphenyls and urea formaldehyde, and any other materials classified as hazardous or toxic under any Environmental Laws.

3.17 FULL DISCLOSURE.

This Agreement, the Exhibits hereto, and all other documents delivered by the Company to Purchaser or its attorneys or agents in connection herewith or therewith or with the transactions contemplated hereby or thereby, when taken as a whole, neither contain any untrue statement of a material fact nor omit to state a material fact necessary to make the statements contained herein or therein not misleading.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

Purchaser hereby represents and warrants to the Company as follows (such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 REQUISITE POWER AND AUTHORITY.

Purchaser has all necessary power and authority under all applicable provisions of law to execute and deliver this Agreement and to carry out its provisions. All actions on Purchaser's part required for the lawful execution and delivery of this Agreement have been or will be effectively taken prior to the Closing. Upon their execution and delivery, this Agreement will be a valid and binding obligation of Purchaser, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and (ii) general principles of equity that restrict the availability of equitable remedies, and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws.

4.2 INVESTMENT REPRESENTATIONS.

Purchaser understands that neither the Shares nor the Conversion Shares have been registered under the Securities Act. Purchaser also understands that the Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon Purchaser's representations contained in the Agreement. Purchaser hereby represents and warrants as follows:

(a) PURCHASER BEARS ECONOMIC RISK.

Purchaser has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. Purchaser must bear the economic risk of this investment indefinitely unless the Shares (or the Conversion Shares) are registered pursuant to the Securities Act, or an exemption from registration is available. Purchaser understands that the Company has no present intention of registering the Shares, the Conversion Shares or any shares of its Common Stock. Purchaser also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow Purchaser to transfer all or any portion of the Shares or the Conversion Shares under the circumstances, in the amounts or at the times Purchaser might propose.

(b) ACQUISITION FOR OWN ACCOUNT.

Purchaser is acquiring the Shares and the Conversion Shares for Purchaser's own account for investment only, and not with a view towards their distribution.

(c) PURCHASER CAN PROTECT ITS INTEREST.

Purchaser represents that by reason of its, or of its management's, business or financial experience, Purchaser has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Further, Purchaser is aware of no publication of any advertisement in connection with the transactions contemplated in the Agreement.

(d) ACCREDITED INVESTOR.

Purchaser represents that it is an accredited investor within the meaning of Regulation D under the Securities Act.

(e) COMPANY INFORMATION.

Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's financial statements, operations and facilities. Purchaser has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) RULE 144.

Purchaser acknowledges and agrees that the Shares, and, if issued, the Conversion Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the Securities Act, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being through an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934,

as amended) and the number of shares being sold during any three-month period not exceeding specified limitations.

4.3 TRANSFER RESTRICTIONS.

The Purchaser acknowledges and agrees that the Shares and, if issued, the Conversion Shares are subject to restrictions on transfer as set forth in the Amended and Restated Articles.

SECTION 5. CONDITIONS TO CLOSING.

5.1 CONDITIONS TO PURCHASERS' OBLIGATIONS AT THE CLOSING.

Purchasers' obligations to purchase the Shares at the Closing are subject to the satisfaction, at or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE; PERFORMANCE OF OBLIGATIONS.

The representations and warranties made by the Company in Section 3 hereof shall be true and correct in all material respects as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) CONSENTS, PERMITS, AND WAIVERS.

The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

(c) RESERVATION OF CONVERSION SHARES.

The Conversion Shares issuable upon conversion of the Shares shall have been duly authorized and reserved for issuance upon such conversion.

(d) STOCK CERTIFICATES.

The stock certificates representing the Shares shall have been delivered to the Secretary of the Company and shall have had appropriate legends placed upon them.

(e) PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated at the Closing hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Purchaser, and the Purchaser shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(f) CONTINUED EFFECTIVENESS.

This Agreement and other agreements contemplated hereby shall continue to be in full force and effect.

(g) CERTIFICATE OF PRESIDENT.

The Purchaser shall have received a certificate of the President of the Company dated such Closing Date to the effect that (i) the representations and warranties made by the Company in Article 3 hereof are true and correct in all material respects as of the Closing with the same force and effect as if they had been made as of the Closing, except those made as to a particular date which shall be true as of such date;

(h) LEGAL INVESTMENT.

On the Closing Date, the sale and issuance of the Shares shall be legally permitted by all laws and regulations to which the Purchaser and the Company are subject.

(i) NO VIOLATIONS.

The purchase of and payment for the Shares to be purchased by the Purchaser on the Closing Date on the terms and conditions herein provided shall not violate any applicable law or governmental regulation.

5.2 CONDITIONS TO OBLIGATIONS OF THE COMPANY.

The Company's obligation to issue and sell the Shares at the Closing is subject to the satisfaction, on or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE.

The representations and warranties made by Purchaser in Section 4 hereof shall be true and correct in all material respects at the date of the Closing, with the same force and effect as if they had been made on and as of said date.

(b) PERFORMANCE OF OBLIGATIONS.

Purchaser shall have performed and complied with all agreements and conditions herein required to be performed or complied with by Purchaser on or prior to the Closing.

(c) CONSENTS, PERMITS, AND WAIVERS.

The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

SECTION 6. REGISTRATION RIGHTS.

6.1 DEFINITIONS.

As used in this Section 6, the following terms shall have the following respective meanings:

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORM S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"HOLDER" means any person owning of record Shares or Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 6.9 hereof.

"INITIAL OFFERING" means the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

"REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares; (ii) Common Stock of the Company issued or issuable upon conversion of the Series A and Series B Preferred Stock of the Company; (iii) Common Stock of the Company issued or issuable either directly, or upon conversion of any other Series of Preferred Stock, the holders of which are granted registration rights by the Company, and (iv) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities either sold by a person to the public pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under Section 6 of this Agreement are not assigned.

"REGISTRABLE SECURITIES THEN OUTSTANDING" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

"REGISTRATION EXPENSES" shall mean all expenses incurred by the Company in complying with Sections 6.2 and 6.3 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding fees and disbursements of additional counsel for any of the Holders, which fees and disbursements shall be the obligations of such Holders, and excluding the compensation of regular employees of the Company, which compensation shall be paid in any event by the Company).

"SEC" or "COMMISSION" means the Securities and Exchange Commission.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLING EXPENSES" shall mean all underwriting discounts and selling commissions applicable to the sale of Shares pursuant to the Agreement or the Purchase Agreement.

"SHARES" shall mean the Company's Series S-1 Stock issued pursuant to this Purchase Agreement.

6.2 PIGGYBACK REGISTRATIONS.

The Company shall notify all Holders in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act), either for its own account or for the account of a security holder or security holders, and the Company will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) UNDERWRITING.

If the registration statement under which the Company gives notice under this Section 6.2 is for an underwritten offering, the Company shall so advise the Holders. In such event, the right of any such Holder to be included in a registration pursuant to this Section 6.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a pro rata basis based on the total number of Registrable Securities proposed to be included by each Holder in the underwriting; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. No such reduction shall reduce the securities being offered by the Holders to less than 50% of the securities proposed to be sold by them in the offering unless all such shares other than shares held by Holders exercising a demand registration right are excluded. In no event will shares of

any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering.

(b) RIGHT TO TERMINATE REGISTRATION.

The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 6.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 6.4 hereof.

6.3 FORM S-3 REGISTRATION.

In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 6.3:

(i) if Form S-3 (or any successor or similar form) is not available for uch offering by the Holders, or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars ($1,000,000), or

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors or the President of the Company stating that in the good-faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 6.3; provided, that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12) month period, or

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 for the Holders pursuant to this Section 6.3, or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

6.4 EXPENSES OF REGISTRATION.

All expenses of registration (exclusive of underwriting discounts and commissions) including, without limitation, the fees and expenses of one special counsel, if any, for the selling shareholders for the demand, piggyback and S-3 registrations shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered.

6.5 OBLIGATIONS OF THE COMPANY.

Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and to such Holder requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

6.6 TERMINATION OF REGISTRATION RIGHTS.

All registration rights granted under this Section 6 shall terminate and be of no further force and effect after the earlier of (i) three (3) years after the date of the Company's Initial Offering, or (ii) the date when the Company has completed its Initial Offering and is subject to the provisions of the Exchange Act and (a) all Registrable Securities held by and issuable to such Holder may be sold during any ninety (90) day period and (b) such Holder holds less than one percent (1%) of the Company's outstanding stock under Rule 144(k) (or successor rule promulgated by the SEC).

6.7 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 6.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 6.2 or 6.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended

method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

6.8 INDEMNIFICATION.

In the event any Registrable Securities are included in a registration statement under Sections 6.2 or 6.3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and legal counsel of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, and legal counsel and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such

Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, legal counsel, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 6.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 6.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 6.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6.8, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate therein, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 6.8.

(d) If the indemnification provided for in this Section 6.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 6.8 shall survive completion of any offering of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

6.9 ASSIGNMENT OF REGISTRATION RIGHTS.

The rights to cause the Company to register Registrable Securities pursuant to this Section 6 may be assigned by a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, general partner, limited partner or retired partner of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) acquires at least fifty thousand (50,000) shares of Registrable Securities (as adjusted for stock splits and combinations); provided, however, (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

6.10 AMENDMENT OF REGISTRATION RIGHTS.

Any provision of this Section 6 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least two-thirds (66 2/3%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 6.10 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Section 6, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

6.11 "MARKET STAND-OFF"AGREEMENT.

If requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act; and such Holder shall enter into a reasonable, written lock-up agreement to that effect if requested by the Company or the representative of the underwriters; provided that:

(i) such agreement shall apply only to the Company's Initial Offering; and

(ii) all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

The obligations described in this Section 6.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be

promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

6.12 RULE 144 REPORTING.

With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) so long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 7. MISCELLANEOUS.

7.1 GOVERNING LAW.

This Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and performed entirely in California.

7.2 SURVIVAL.

The representations, warranties, covenants and agreements made herein shall survive any investigation made by Purchaser and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of a party pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by such party hereunder solely as of the date of such certificate or instrument.

7.3 SUCCESSORS AND ASSIGNS.

Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of

the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of the Shares from time to time.

7.4 ENTIRE AGREEMENT.

This Agreement, any and all exhibits and schedules hereto and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.5 SEVERABILITY.

In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.6 AMENDMENT AND WAIVER.

This Agreement may be amended, modified or waived only upon the written consent of the Company and Purchaser.

7.7 DELAYS OR OMISSIONS.

It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on Purchaser's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

7.8 NOTICES.

All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at its address as set forth on the signature page hereof and to Purchaser at its address as set forth on the signature page hereof, or at such other address as the Company or Purchaser may designate by ten (10) days advance written notice to the other parties hereto.

7.9 EXPENSES.

The Company and Purchaser shall each pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.10 ATTORNEYS' FEES.

In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party or parties in such dispute shall be entitled to recover from the losing party or parties all fees, costs and expenses of enforcing any right of such prevailing party or parties under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 TITLES AND SUBTITLES.

The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 BROKER'S FEES.

Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this paragraph being untrue.

7.14 PRONOUNS.

All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

IN WITNESS WHEREOF, the parties hereto have executed the SERIES S-1 PREFERRED STOCK PURCHASE AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:	PURCHASER:
DYNAVAX TECHNOLOGIES CORPORATION	STALLERGENES S.A.
By: /s/ Dino Dina President & CEO	By: /s/ Albert Saporta
ADDRESS:	
Dynavax Technologies Corporation 717 Potter Street, Suite 100 Berkeley, CA 94710	Stallergenes S. A. 6, rue Alexis de Tocqueville 92183 Antony, Cedex, France

Exhibit 4.6

DYNAVAX TECHNOLOGIES CORPORATION
SERIES R PREFERRED STOCK
PURCHASE AGREEMENT

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SERIES R PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES R PREFERRED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of March 7, 2000, by and among Dynavax Technologies Corporation, a California corporation (the "Company") and Aventis Pasteur S.A. (Formerly Pasteur Merieux Serums & Vaccins S.A.) (the "Purchaser").

RECITALS

WHEREAS, the Company has authorized the sale and issuance of an aggregate of four hundred thirty thousand one hundred eight (430,108) shares of its Series R Preferred Stock (the "Shares");

WHEREAS, Purchaser desires to purchase the Shares on the terms and conditions set forth herein with the right to assign one half of the shares or two hundred fifteen thousand fifty four (215,054) shares (the "Assigned Shares") to Genavent (the "Assignee"); and

WHEREAS, the Company desires to issue and sell the Shares to Purchaser and to permit assignment of one half of the shares to the Assignee all on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

SECTION 1. AGREEMENT TO SELL AND PURCHASE.

1.1 AUTHORIZATION OF SHARES. On or prior to the Closing (as defined in Section 2 below), the Company shall have authorized (i) the sale and issuance to Purchaser of the Shares and (ii) the issuance of such shares of Common Stock to be issued upon conversion of the Shares (the "Conversion Shares"). The Shares and the Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Amended and Restated Articles of Incorporation of the Company, as amended, in the form attached hereto as Exhibit A (the "Amended and Restated Articles").

1.2 SALE AND PURCHASE. Subject to the terms and conditions hereof, at the Closing (as hereinafter defined) the Company hereby agrees to issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, the Shares, at a purchase price of four dollars sixty-five cents ($4.65) per share, it being acknowledged that Purchaser shall have the right to assign two hundred fifteen thousand fifty four (215,054) Shares to Genavent, a capital risk group, during the one hundred and twenty day period after the Closing Date.

SECTION 2. CLOSING, DELIVERY, PAYMENT, ASSIGNMENT

2.1 CLOSING. The closing of the sale and purchase of the Shares under this Agreement (the "Closing") shall take place at 10:00 a.m. Pacific time on the date hereof or as soon as practicable following the satisfaction or waiver, if permissible, of the conditions to Closing set forth herein, at the offices of Morrison & Foerster LLP, 425 Market Street, San Francisco, California 94105 or at such other time or place as the Company and Purchasers may mutually agree (such date is hereinafter referred to as the "Closing Date").

2.2 DELIVERY. At the Closing, subject to the terms and conditions hereof, the Company will deliver to Purchaser certificates representing the number of Shares to be purchased at the Closing by Purchaser, against payment of the purchase price therefor by check, wire transfer made payable to the order of the Company, cancellation of indebtedness or any combination of the foregoing.

2.3 ASSIGNMENT. Following the Closing, Purchaser may assign the Assigned Shares to Assignee subject to Assignee's execution of an agreement in form as attached hereto as Exhibit B (the "Assignment Agreement") and the Company shall also execute the agreement in such form.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to the Purchaser as follows:

3.1 ORGANIZATION, GOOD STANDING AND QUALIFICATION. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company has all requisite corporate power and authority to carry on its business as now conducted, to execute and deliver this Agreement and the Assignment Agreement, to issue and sell the Shares and the Conversion Shares and to carry out the provisions of this Agreement, the Assignment Agreement and the Amended and Restated Articles. The Company is not qualified to transact business as a foreign corporation in any jurisdiction and such qualification is not now required. The Company does not own or control, directly or indirectly, any interest in any other corporation, limited liability company, partnership, association or similar entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

3.2 CAPITALIZATION; VOTING RIGHTS. The authorized capital stock of the Company, immediately prior to the Closing, will consist of thirty nine million, seven hundred ninety one thousand three hundred thirty two (39,791,332) shares, twenty two million three hundred fifty eight thousand five hundred forty six (22,358,546) shares of which shall be Common Stock (the "Common Stock") and seventeen million four hundred thirty two thousand seven hundred eighty six (17,432,786) shares of which shall be Preferred Stock (the "Preferred Stock"). Of the Preferred Stock, six million seven hundred thousand (6,700,000) shares are designated "Series A Preferred Stock" (the "Series A Preferred"), nine million thirty two thousand seven hundred eighty six (9,032,786) shares are designated "Series B Preferred Stock" (the "Series B Preferred"),

five hundred thousand (500,000) shares are hereby designated "Series S-1 Preferred Stock" (the "Series S-1 Preferred") and four hundred thirty thousand one hundred eight (430,108) shares are designated "Series R Preferred Stock" (the "Series R Preferred"). On the date hereof, three million six hundred thirty three thousand sixteen (3,633,016) shares of Common Stock are issued and outstanding, six million seven hundred thousand (6,700,000) shares of Series A Preferred Stock are issued and outstanding, nine million thirty two thousand seven hundred eighty six (9,032,786) shares of Series B Preferred Stock are issued and outstanding, and two hundred thousand (200,000) shares of Series S-1 Preferred Stock are outstanding. All issued and outstanding shares of the Company's capital stock (i) have been duly authorized and validly issued, (ii) are fully paid and nonassessable, and (iii) were issued in compliance with all applicable state and federal laws concerning the issuance of securities. The rights, preferences, privileges and restrictions of the Shares are as stated in the Amended and Restated Articles. The Conversion Shares have been duly and validly reserved for issuance. Other than options to acquire one million five hundred sixty three thousand, six hundred thirty (1,563,630) shares of Common Stock held by officers, employees and consultants of the Company, and First Amended Investor Rights Agreement between the Company, certain holders of its Common Stock, and the holders of its Series A Preferred Stock and Series B Preferred Stock, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholder agreements, or agreements of any kind for the purchase or acquisition from the Company of any of its securities. When issued in compliance with the provisions of this Agreement and the Amended and Restated Articles, the Shares and the Conversion Shares will be validly issued, fully paid and nonassessable, and will be free of any liens or encumbrances; provided, however, that the Shares and the Conversion Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time a transfer is proposed. Except as may be set forth in the Amended and Restated Articles, the Company has no obligation to repurchase any of its stock.

3.3 AUTHORIZATION; BINDING OBLIGATIONS. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization of this Agreement, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Shares pursuant hereto and the Conversion Shares pursuant to the Amended and Restated Articles has been taken or will be taken prior to the Closing. This Agreement, when executed and delivered, will be a valid and binding obligation of the Company enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights; (ii) general principles of equity that restrict the availability of equitable remedies; and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws. The sale of the Shares and the subsequent conversion of the Shares into Conversion Shares are not and will not be subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with.

3.4 FINANCIAL STATEMENTS. The Company has delivered to Purchaser its audited financial statements for the year ended December 1, 1998 and its unaudited financial statements as of September 30, 1999 (collectively, the "Financial Statements"). The Financial Statements are true, correct and complete in all material respects and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except that the unaudited financial statements do not contain all footnote disclosures required by generally accepted accounting principles). The Financial Statements fairly and accurately set out and describe the financial condition and operating results of the Company as of the dates and during the periods indicated therein. Except as set forth in the Financial Statements, the Company has no liabilities, contingent or otherwise, whether due or to become due, other than (a) liabilities incurred in the ordinary course of business subsequent to September 30, 1999 and (b) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which in both cases, individually or in the aggregate, do not have a material adverse effect on the Company or its business, assets, properties or financial condition.

3.5 AGREEMENTS; ACTION.

(a) Except for agreements explicitly contemplated hereby and agreements between the Company and its employees with respect to the sale of the Company's Common Stock, there are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, affiliates or any affiliate thereof.

(b) There are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company is a party or to its knowledge by which it is bound which may involve (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of fifty thousand dollars ($50,000) (other than obligations of, or payments to, the Company arising from agreements entered into in the ordinary course of business or to support research being conducted at the University of California, San Diego), or (ii) the license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses arising from the purchase of "off the shelf" or other standard products) and licenses of certain patents from the Regents of the University of California, or (iii) provisions restricting or affecting the development, manufacture or distribution of the Company's products or services, or (iv) indemnification by the Company with respect to infringements of proprietary rights (other than indemnification obligations arising from purchase or sale agreements entered into in the ordinary course of business).

(c) The Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or any other liabilities (other than with respect to dividend obligations, distributions, indebtedness and other obligations incurred in the ordinary course of business) individually in excess of one hundred thousand dollars ($100,000) and in excess of two hundred fifty thousand dollars

($250,000) in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(e) The Company has not engaged in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of the Company with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, or (iii) regarding any other form of acquisition, liquidation, dissolution or winding up of the Company.

3.6 OBLIGATIONS TO RELATED PARTIES. There are no obligations of the Company to officers, directors, shareholders, or employees of the Company other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). No officer, director or shareholder, or any members of their immediate families, is, directly or indirectly, interested in any material contract with the Company except contracts entered into in connection herewith (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company). The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

3.7 TITLE TO PROPERTIES AND ASSETS; LIENS, ETC. The Company has good and marketable title to its properties and assets, including the properties and assets reflected in the most recent balance sheet included in the Financial Statements, and good title to its leasehold estates, in each case subject to no mortgage, pledge, lien, lease, encumbrance or charge, other than (i) those resulting from taxes which have not yet become delinquent, (ii) minor liens and encumbrances which do not materially detract from the value of the property subject thereto or materially impair the operations of the Company, and (iii) those that have otherwise arisen in the ordinary course of business. With respect to the property and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances subject to claims (i)-(iii) above. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by the Company are in good operating condition and repair, ordinary wear and tear excepted, and are reasonably fit and useable for the purposes to which they are being put.

3.8 PATENTS AND TRADEMARKS. The Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, information and other proprietary rights and processes necessary for its business as now conducted and as proposed to be conducted, without any known infringement of the rights of others. There are no outstanding options, licenses or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or agreements arising from the purchase of "off the shelf" or standard products. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. The Company is not aware that any of its employees or consultants is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with his or her duties to the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any employee is now obligated. The Company does not believe that it is or will be necessary to utilize any inventions, trade secrets or proprietary information of any of its employees or consultants made prior to their employment or engagement by the Company, except for inventions, trade secrets or proprietary information that have been assigned to or licensed by the Company.

3.9 COMPLIANCE WITH OTHER INSTRUMENTS. The Company is not in violation or default of any term of its Amended and Restated Articles or Bylaws, or of any provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or by which it is bound or of any judgment, decree, order, writ or, to its knowledge, any statute, rule or regulation applicable to the Company which would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. The execution, delivery, and performance of and compliance with this Agreement and the Assignment Agreement, the adoption of the Amended and Restated Articles and the issuance and sale of the Shares pursuant hereto and of the Conversion Shares pursuant to the Amended and Restated Articles, will not, with or without the passage of time or giving of notice, result in any such material violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any permit license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties.

3.10 LITIGATION. There is no action, suit, proceeding or investigation pending or currently threatened against the Company that questions the validity of this

Agreement, or the right of the Company to enter into any of such agreements or to consummate the transactions contemplated hereby or thereby, or which might result, either individually or in the aggregate, in any material adverse change in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions pending or threatened (or any basis therefor known to the Company) involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. There is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

3.11 TAX RETURNS, PAYMENTS AND ELECTIONS. The Company has timely filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due except in any such case as would not have a material adverse effect on the Company. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date hereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as an S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code, nor has it made any other elections pursuant to the Code (other than elections that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositories.

3.12 EMPLOYEES. The Company has no collective bargaining agreements with any of its employees. There is no labor union organizing activity pending or, to the Company's knowledge, threatened with respect to the Company. To the best of the Company's knowledge, no employee of the Company, nor any consultant with whom the Company has contracted, is in violation of any term of any employment contract, proprietary information agreement, patent disclosure agreement or any other agreement relating to the right of any such individual to be employed by, or to contract with, the Company because of the nature of the business to be conducted by the

Company; and to the best of the Company's knowledge, the continued employment by the Company of its present employees, and the performance of the Company's contract with its independent contractors, will not result in any such violation. The Company has not received any written notice alleging that any such violation has occurred. No employee of the Company has been granted the right to continued employment by the Company or to any material compensation following termination of employment with the Company. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any officer, key employee, or group of key employees.

3.13 REGISTRATION RIGHTS. Except as required pursuant to the First Amended Investors' Rights Agreement and the Company's Series S-1 Preferred Stock Purchase Agreement, the Company is presently not under any obligation, and has not granted any rights, to register any of the Company's presently outstanding securities or any of its securities that may hereafter be issued. Other than a right to request that the Company initiate a registration of securities, the registration rights provided to the holders of the Company's Series A Preferred Stock and Series B Preferred Stock in the First Amended Investor Rights Agreement are substantially identical to those provided in Section 6 of this Agreement.

3.14 COMPLIANCE WITH LAWS; PERMITS. The Company is not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties which violation would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. No governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of this Agreement and the issuance of the Shares or the Conversion Shares, except such as has been duly and validly obtained or filed, or with respect to any filings that must be made after the Closing. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects or financial condition of the Company and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted.

3.15 OFFERING VALID. Assuming the accuracy of the representations and warranties of the Purchaser contained in Section 4.2 hereof, the offer, sale and issuance of the Shares and the Conversion Shares will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Shares to any person or persons so as to bring the sale of such Shares by the Company within the registration provisions of the Securities Act.

3.16 ENVIRONMENTAL REQUIREMENTS.

(a) To the best of the Company's knowledge, the Company has not caused or allowed, nor has the Company contracted with any party for, the generation, use, transportation, treatment, storage or disposal of any Hazardous Substances (as defined below) in connection with the operations of its business or otherwise, other than cleaning, maintenance and similar supplies used in the ordinary course of business.

(b) To the best of the Company's knowledge, the Company, the operations of its business, and any real property that the Company owns, leases, or otherwise occupies or uses (the "Premises") are in substantial compliance with all applicable Environmental Laws (as defined below) and orders or directives of any governmental authorities having jurisdiction under such Environmental Laws including, without limitation, any Environmental Laws or orders or directives with respect to any cleanup or remediation of any release or threat of release of Hazardous Substances.

(c) The Company has not received any citation, directive, letter or other communication, written or oral, or any notice of any proceedings, claims or lawsuits, from any person, entity or governmental authority arising out of the ownership or occupation of the Premises, or the conduct of its operations, nor is it aware of any basis thereof.

(d) To the best of the Company's knowledge, the Company has obtained and is maintaining in full force and effect all necessary permits, licenses and approvals required by any Environmental Laws, if any, applicable to the Premises and the business operations conducted thereon (including operations conducted by tenants on the Premises) and is in substantial compliance with all such permits, licenses and approvals.

(e) The Company has not caused, or allowed a release, or a threat of release, of any Hazardous Substance into, nor to the best of the Company's knowledge has the Premises or any property at or near the Premises ever been subject to a release, or a threat of a release, of any Hazardous Substance.

(f) For purposes of this Section 3.16, the term, "Environmental Laws" shall mean any federal, state or local law, ordinance or regulation pertaining to the protection of human health or the environment including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sections 9601, et seq., Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Sections 11001, et seq., and the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq.

For purposes of this Section 3.16, the term, "Hazardous Substance" includes oil and petroleum products, asbestos, polychlorinated biphenyls and urea formaldehyde, and any other materials classified as hazardous or toxic under any Environmental Laws.

3.17 FULL DISCLOSURE. This Agreement, the Exhibits hereto, and all other documents delivered by the Company to Purchaser or its attorneys or agents in

connection herewith or therewith or with the transactions contemplated hereby or thereby, when taken as a whole, neither contain any untrue statement of a material fact nor omit to state a material fact necessary to make the statements contained herein or therein not misleading.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

Purchaser hereby represents and warrants to the Company as follows (such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 REQUISITE POWER AND AUTHORITY. Purchaser has all necessary power and authority under all applicable provisions of law to execute and deliver this Agreement and to carry out its provisions. All actions on Purchaser's part required for the lawful execution and delivery of this Agreement have been or will be effectively taken prior to the Closing. Upon their execution and delivery, this Agreement will be a valid and binding obligation of Purchaser, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and (ii) general principles of equity that restrict the availability of equitable remedies, and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws.

4.2 INVESTMENT REPRESENTATIONS. Purchaser understands that neither the Shares nor the Conversion Shares have been registered under the Securities Act. Purchaser also understands that the Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon Purchaser's representations contained in the Agreement. Purchaser hereby represents and warrants as follows:

(a) PURCHASER BEARS ECONOMIC RISK. Purchaser has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. Purchaser must bear the economic risk of this investment indefinitely unless the Shares (or the Conversion Shares) are registered pursuant to the Securities Act, or an exemption from registration is available. Purchaser understands that the Company has no present intention of registering the Shares, the Conversion Shares or any shares of its Common Stock. Purchaser also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow Purchaser to transfer all or any portion of the Shares or the Conversion Shares under the circumstances, in the amounts or at the times Purchaser might propose.

(b) ACQUISITION FOR OWN ACCOUNT. Purchaser is acquiring the Shares and the Conversion Shares for Purchaser's own account for investment only, and

not with a view towards their distribution, except as regards assignment of the Assigned Shares to the Assignee.

(c) PURCHASER CAN PROTECT ITS INTEREST. Purchaser represents that by reason of its, or of its management's, business or financial experience, Purchaser has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement and Assignee has similar capacity to protect its own interests. Further, Purchaser is aware of no publication of any advertisement in connection with the transactions contemplated in the Agreement.

(d) ACCREDITED INVESTOR. Purchaser represents that it is and Assignee is an accredited investor within the meaning of Regulation D under the Securities Act.

(e) COMPANY INFORMATION. Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's financial statements, operations and facilities. Purchaser has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) RULE 144. Purchaser acknowledges and agrees that the Shares, and, if issued, the Conversion Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available, as for assignment of the Assigned Shares to Assignee. Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the Securities Act, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being through an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended) and the number of shares being sold during any three-month period not exceeding specified limitations.

4.3 TRANSFER RESTRICTIONS. The Purchaser acknowledges and agrees that the Shares and, if issued, the Conversion Shares are subject to restrictions on transfer as set forth in the Amended and Restated Articles.

SECTION 5. CONDITIONS TO CLOSING.

5.1 CONDITIONS TO PURCHASER'S OBLIGATIONS AT THE CLOSING. Purchaser's obligations to purchase the Shares at the Closing are subject to the satisfaction, at or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE; PERFORMANCE OF OBLIGATIONS. The representations and warranties made by the Company in Section 3

hereof shall be true and correct in all material respects as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) CONSENTS, PERMITS, AND WAIVERS. The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

(c) FILING OF AMENDED AND RESTATED ARTICLES. The Amended and Restated Articles substantially in the form attached hereto as Exhibit A shall have been filed with the Secretary of State of the State of California.

(d) RESERVATION OF CONVERSION SHARES. The Conversion Shares issuable upon conversion of the Shares shall have been duly authorized and reserved for issuance upon such conversion.

(e) STOCK CERTIFICATES. The stock certificates representing the Shares shall have been delivered to the Secretary of the Company and shall have had appropriate legends placed upon them.

(f) PROCEEDINGS AND DOCUMENTS. All corporate and other proceedings in connection with the transactions contemplated at the Closing hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Purchaser, and the Purchaser shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(g) CONTINUED EFFECTIVENESS. This Agreement and other agreements contemplated hereby shall continue to be in full force and effect.

(h) CERTIFICATE OF PRESIDENT. The Purchaser shall have received a certificate of the President of the Company dated such Closing Date to the effect that (i) the representations and warranties made by the Company in Article 3 hereof are true and correct in all material respects as of the Closing with the same force and effect as if they had been made as of the Closing, except those made as to a particular date which shall be true as of such date.

(i) LEGAL INVESTMENT. On the Closing Date, the sale and issuance of the Shares shall be legally permitted by all laws and regulations to which the Purchaser and the Company are subject.

(j) LEGAL OPINION. The Purchaser shall have received from legal counsel to the Company a favorable opinion addressed to the Purchaser, dated as of the Closing Date, in form and substance reasonably satisfactory to the Purchaser.

(k) NO VIOLATIONS. The purchase of and payment for the Shares to be purchased by the Purchaser on the Closing Date on the terms and conditions herein provided shall not violate any applicable law or governmental regulation.

5.2 CONDITIONS TO OBLIGATIONS OF THE COMPANY. The Company's obligation to issue and sell the Shares at the Closing is subject to the satisfaction, on or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties made by Purchaser in Section 4 hereof shall be true and correct in all material respects at the date of the Closing, with the same force and effect as if they had been made on and as of said date.

(b) PERFORMANCE OF OBLIGATIONS. Purchaser shall have performed and complied with all agreements and conditions herein required to be performed or complied with by Purchaser on or prior to the Closing.

(c) CONSENTS, PERMITS, AND WAIVERS. The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

SECTION 6. REGISTRATION RIGHTS.

6.1 DEFINITIONS. As used in this Section 6, the following terms shall have the following respective meanings:

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORM S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"HOLDER" means any person owning of record Shares or Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 6.9 hereof.

"INITIAL OFFERING" means the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

"REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares; (ii) Common Stock of the Company issued or issuable upon conversion of the Series A, Series B, Series S-1 and Series R Preferred

Stock of the Company; (iii) Common Stock of the Company issued or issuable either directly, or upon conversion of any other Series of Preferred Stock, the holders of which are granted registration rights by the Company, and (iv) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities either sold by a person to the public pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under Section 2 of this Agreement are not assigned.

"REGISTRABLE SECURITIES THEN OUTSTANDING" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

"REGISTRATION EXPENSES" shall mean all expenses incurred by the Company in complying with Sections 6.2 and 6.3 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding fees and disbursements of additional counsel for any of the Holders, which fees and disbursements shall be the obligations of such Holders, and excluding the compensation of regular employees of the Company, which compensation shall be paid in any event by the Company).

"SEC" or "COMMISSION" means the Securities and Exchange Commission.

"SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

"SELLING EXPENSES" shall mean all underwriting discounts and selling commissions applicable to the sale of Shares pursuant to the Agreement or the Purchase Agreement.

"SHARES" shall mean the Company's Series R Stock issued pursuant to this Purchase Agreement.

6.2 PIGGYBACK REGISTRATIONS. The Company shall notify all Holders in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act), either for its own account or for the account of a security holder or security holders, and the Company will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or

any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) UNDERWRITING. If the registration statement under which the Company gives notice under this Section 6.2 is for an underwritten offering, the Company shall so advise the Holders. In such event, the right of any such Holder to be included in a registration pursuant to this Section 6.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a pro rata basis based on the total number of Registrable Securities proposed to be included by each Holder in the underwriting; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. No such reduction shall reduce the securities being offered by the Holders to less than 50% of the securities proposed to be sold by them in the offering unless all such shares other than shares held by Holders exercising a demand registration right are excluded. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering.

(b) RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 6.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 6.4 hereof.

6.3 FORM S-3 REGISTRATION. In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 6.3:

(i) if Form S-3 (or any successor or similar form) is not available for such offering by the Holders, or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars ($1,000,000), or

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors or the President of the Company stating that in the good-faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 6.3; provided, that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12) month period, or

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 for the Holders pursuant to this Section 6.3, or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

6.4 EXPENSES OF REGISTRATION. All expenses of registration (exclusive of underwriting discounts and commissions) including, without limitation, the fees and expenses of one special counsel, if any, for the selling shareholders for the demand, piggyback and S-3 registrations shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered.

6.5 OBLIGATIONS OF THE COMPANY. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with

respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and to such Holder requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

6.6 TERMINATION OF REGISTRATION RIGHTS. All registration rights granted under this Section 6 shall terminate and be of no further force and effect after the earlier of (i) three (3) years after the date of the Company's Initial Offering, or (ii) the date when the Company has completed its Initial Offering and is subject to the provisions of the Exchange Act and (a) all Registrable Securities held by and issuable to such Holder may be sold during any ninety (90) day period and (b) such Holder or any assignee of such Holder holds less than one half of one percent (0.5%) of the Company's outstanding stock under Rule 144(k) (or successor rule promulgated by the SEC).

6.7 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 6.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 6.2 or 6.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

6.8 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under Sections 6.2 or 6.3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and legal counsel of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final

prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, and legal counsel and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, legal counsel, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 6.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 6.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 6.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6.8, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate therein, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 6.8.

(d) If the indemnification provided for in this Section 6.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 6.8 shall survive completion of any offering of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

6.9 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to this Section 6 may be assigned by

a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, general partner, limited partner or retired partner of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) acquires at least fifty thousand (50,000) shares of Registrable Securities (as adjusted for stock splits and combinations); provided, however, (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

6.10 AMENDMENT OF REGISTRATION RIGHTS. Any provision of this Section 6 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least two-thirds (66 2/3%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 6.10 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Section 6, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

6.11 "MARKET STAND-OFF" AGREEMENT. If requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act; and such Holder shall enter into a reasonable, written lock-up agreement to that effect if requested by the Company or the representative of the underwriters; provided that:

(i) such agreement shall apply only to the Company's Initial Offering; and

(ii) all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

(iii) The obligations described in this Section 6.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

6.12 RULE 144 REPORTING. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the

sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) so long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 7. MISCELLANEOUS.

7.1 GOVERNING LAW. This Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and performed entirely in California.

7.2 SURVIVAL. The representations, warranties, covenants and agreements made herein shall survive any investigation made by Purchaser and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of a party pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by such party hereunder solely as of the date of such certificate or instrument.

7.3 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of the Shares from time to time.

7.4 ENTIRE AGREEMENT. This Agreement, any and all exhibits and schedules hereto and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.5 SEVERABILITY. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.6 AMENDMENT AND WAIVER. This Agreement may be amended, modified or waived only upon the written consent of the Company and Purchaser.

7.7 DELAYS OR OMISSIONS. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on Purchaser's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

7.8 NOTICES. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at its address as set forth on the signature page hereof and to Purchaser at its address set forth on the signature page hereof, or at such other address as the Company or Purchaser may designate by ten (10) days advance written notice to the other parties hereto.

7.9 EXPENSES. The Company and Purchaser shall each pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.10 ATTORNEYS' FEES. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party or parties in such dispute shall be entitled to recover from the losing party or parties all fees, costs and expenses of enforcing any right of such prevailing party or parties under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 TITLES AND SUBTITLES. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 BROKER'S FEES. Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this paragraph being untrue.

7.14 PRONOUNS. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

IN WITNESS WHEREOF, the parties hereto have executed the SERIES R PREFERRED STOCK PURCHASE AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY: DYNAVAX TECHNOLOGIES CORPORATION	PURCHASER: AVENTIS PASTEUR S.A.
By: /s/ Dino Dina --- President & CEO	By: /s/ Valerie Mousserin-Hervy --- Valerie Mousserin-Hervy Attorney-In-Fact
ADDRESS: Dynavax Technologies Corporation 717 Potter Street, Suite 100 Berkeley, CA 94710	ADDRESS: Aventis Pasteur S.A. 58, Avenue Leclerc - BP7046 69348 Lyon, Cedex 07, France

Exhibit 4.7

DYNAVAX TECHNOLOGIES CORPORATION
SERIES T PREFERRED STOCK
PURCHASE AGREEMENT

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SERIES T PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES T PREFERRED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of March 31, 2000, by and among Dynavax Technologies Corporation, a California corporation (the "Company") and Triangle Pharmaceuticals, Inc. (the "Purchaser").

RECITALS

WHEREAS, the Company has authorized the sale and issuance of an aggregate of four hundred thousand (400,000) shares of its Series T Preferred Stock (the "Shares"); and

WHEREAS, the Purchaser desires to purchase the Shares on the terms and conditions set forth herein; and

WHEREAS, the Company desires to issue and sell the Shares to the Purchaser on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

SECTION 1. AGREEMENT TO SELL AND PURCHASE.

1.1 AUTHORIZATION OF SHARES. On or prior to the Closing (as defined in Section 2 below), the Company shall have authorized (i) the sale and issuance to Purchaser of the Shares and (ii) the issuance of such shares of Common Stock to be issued upon conversion of the Shares (the "Conversion Shares"). The Shares and the Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Amended and Restated Articles of Incorporation of the Company, as amended, in the form attached hereto as EXHIBIT A (the "Amended and Restated Articles").

1.2 SALE AND PURCHASE. Subject to the terms and conditions hereof, at the Closing (as hereinafter defined) the Company hereby agrees to issue and sell to Purchaser, and Purchaser agrees to purchase from the Company, the Shares, at a purchase price of five dollars ($5.00) per share.

SECTION 2. CLOSING, DELIVERY, PAYMENT, ASSIGNMENT

2.1 CLOSING. The closing of the sale and purchase of the Shares under this Agreement (the "Closing") shall take place at 10:00 a.m. Pacific time on the date hereof or as soon as practicable following the satisfaction or waiver, if permissible, of the conditions to Closing set forth herein, at the offices of Morrison & Foerster LLP, 425 Market Street, San Francisco, California 94105 or at such other time or place as the Company and Purchasers may mutually agree (such date is hereinafter referred to as the "Closing Date").

2.2 DELIVERY. At the Closing, subject to the terms and conditions hereof, the Company will deliver to Purchaser certificates representing the number of Shares to be purchased at the Closing by Purchaser, against payment of the purchase price therefor by check, wire transfer made payable to the order of the Company, cancellation of indebtedness or any combination of the foregoing.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to the Purchaser as follows:

3.1 ORGANIZATION, GOOD STANDING AND QUALIFICATION. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company has all requisite corporate power and authority to carry on its business as now conducted, to execute and deliver this Agreement, to issue and sell the Shares and the Conversion Shares and to carry out the provisions of this Agreement and the Amended and Restated Articles. The Company is not qualified to transact business as a foreign corporation in any jurisdiction and such qualification is not now required. The Company does not own or control, directly or indirectly, any interest in any other corporation, limited liability company, partnership, association or similar entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

3.2 CAPITALIZATION; VOTING RIGHTS. The authorized capital stock of the Company, immediately prior to the Closing, will consist of thirty nine million eight hundred twenty one thousand four hundred forty (39,821,440) shares, twenty two million seven hundred fifty eight thousand five hundred forty six (22,758,546) shares of which shall be Common Stock (the "Common Stock") and seventeen million sixty two thousand eight hundred ninety four (17,062,894) shares of which shall be Preferred Stock (the "Preferred Stock"). Of the Preferred Stock, six million seven hundred thousand (6,700,000) shares are designated "Series A Preferred Stock" (the "Series A Preferred"), nine million thirty two thousand seven hundred eighty six (9,032,786) shares are designated "Series B Preferred Stock" (the "Series B Preferred"), five hundred thousand (500,000) shares are hereby designated "Series S-1 Preferred Stock" (the "Series S-1 Preferred"), four hundred thirty thousand one hundred eight (430,108) shares are designated "Series R Preferred Stock" (the "Series R Preferred"), and four hundred thousand (400,000) shares are designated "Series T Preferred Stock" (the "Series T Preferred"). On the date hereof, three million seven hundred twelve thousand two

hundred eighty six (3,712,286) shares of Common Stock are issued and outstanding, six million seven hundred thousand (6,700,000) shares of Series A Preferred Stock are issued and outstanding, nine million thirty two thousand seven hundred eighty six (9,032,786) shares of Series B Preferred Stock are issued and outstanding, two hundred thousand (200,000) shares of Series S-1 Preferred Stock are issued and outstanding, and four hundred thirty thousand one hundred eight (430,108) shares of Series R Preferred Stock are issued and outstanding. All issued and outstanding shares of the Company's capital stock (i) have been duly authorized and validly issued, (ii) are fully paid and nonassessable, and (iii) were issued in compliance with all applicable state and federal laws concerning the issuance of securities. The rights, preferences, privileges and restrictions of the Shares are as stated in the Amended and Restated Articles. The Conversion Shares have been duly and validly reserved for issuance. Other than options outstanding to acquire one million three hundred eighty two thousand seven hundred eight (1,382,708) shares of Common Stock held by officers, employees and consultants of the Company, and the First Amended Investor Rights Agreement between the Company, certain holders of its Common Stock, and the holders of its Series A Preferred Stock and Series B Preferred Stock, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholder agreements, or agreements of any kind for the purchase or acquisition from the Company of any of its securities. When issued in compliance with the provisions of this Agreement and the Amended and Restated Articles, the Shares and the Conversion Shares will be validly issued, fully paid and nonassessable, and will be free of any liens or encumbrances; provided, however, that the Shares and the Conversion Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time a transfer is proposed. Except as may be set forth in the Amended and Restated Articles, the Company has no obligation to repurchase any of its stock.

3.3 AUTHORIZATION; BINDING OBLIGATIONS. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization of this Agreement, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Shares pursuant hereto and the Conversion Shares pursuant to the Amended and Restated Articles has been taken or will be taken prior to the Closing. This Agreement, when executed and delivered, will be a valid and binding obligation of the Company enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights; (ii) general principles of equity that restrict the availability of equitable remedies; and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws. The sale of the Shares and the subsequent conversion of the Shares into Conversion Shares are not and will not be subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with.

3.4 FINANCIAL STATEMENTS. The Company has delivered to Purchaser its audited financial statements for the year ended December 31, 1998 and its unaudited financial statements as of December 31, 1999 (collectively, the "Financial Statements").

The Financial Statements are true, correct and complete in all material respects and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except that the unaudited financial statements do not contain all footnote disclosures required by generally accepted accounting principles). The Financial Statements fairly and accurately set out and describe the financial condition and operating results of the Company as of the dates and during the periods indicated therein. Except as set forth in the Financial Statements, the Company has no liabilities, contingent or otherwise, whether due or to become due, other than (a) liabilities incurred in the ordinary course of business subsequent to December 31, 1999 and (b) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which in both cases, individually or in the aggregate, do not have a material adverse effect on the Company or its business, assets, properties or financial condition.

3.5 AGREEMENTS; ACTION.

(a) Except for agreements explicitly contemplated hereby and agreements between the Company and its employees with respect to the sale of the Company's Common Stock, there are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, affiliates or any affiliate thereof.

(b) There are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company is a party or to its knowledge by which it is bound which may involve (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of fifty thousand dollars ($50,000) (other than obligations of, or payments to, the Company arising from agreements entered into in the ordinary course of business or to support research being conducted at the University of California, San Diego), or (ii) the license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses arising from the purchase of "off the shelf" or other standard products), licenses of certain patents from the Regents of the University of California, and a cross license between the Company and Vical Incorporated, or (iii) provisions restricting or affecting the development, manufacture or distribution of the Company's products or services, or (iv) indemnification by the Company with respect to infringements of proprietary rights (other than indemnification obligations arising from purchase or sale agreements entered into in the ordinary course of business).

(c) The Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or any other liabilities (other than with respect to dividend obligations, distributions, indebtedness and other obligations incurred in the ordinary course of business) individually in excess of one hundred thousand dollars ($100,000) and in excess of two hundred fifty thousand dollars ($250,000) in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of

any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(e) The Company has not engaged in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of the Company with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of, or (iii) regarding any other form of acquisition, liquidation, dissolution or winding up of the Company.

3.6 OBLIGATIONS TO RELATED PARTIES. There are no obligations of the Company to officers, directors, shareholders, or employees of the Company other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). No officer, director or shareholder, or any members of their immediate families, is, directly or indirectly, interested in any material contract with the Company except contracts entered into in connection herewith (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company). The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

3.7 TITLE TO PROPERTIES AND ASSETS; LIENS, ETC. The Company has good and marketable title to its properties and assets, including the properties and assets reflected in the most recent balance sheet included in the Financial Statements, and good title to its leasehold estates, in each case subject to no mortgage, pledge, lien, lease, encumbrance or charge, other than (i) those resulting from taxes which have not yet become delinquent, (ii) minor liens and encumbrances which do not materially detract from the value of the property subject thereto or materially impair the operations of the Company, and (iii) those that have otherwise arisen in the ordinary course of business. With respect to the property and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims, or encumbrances subject to claims (i)-(iii) above. All facilities, machinery, equipment, fixtures, vehicles and other properties owned, leased or used by the Company are in good operating condition and repair, ordinary wear and tear excepted, and are reasonably fit and useable for the purposes to which they are being put.

3.8 PATENTS AND TRADEMARKS. The Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, information and other proprietary rights and processes necessary for its business as now conducted and as proposed to be conducted, without any known infringement of the rights of others. There are no outstanding options, licenses or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and other proprietary rights and processes of any other person or entity other than such licenses or agreements arising from the purchase of "off the shelf" or standard products. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. The Company is not aware that any of its employees or consultants is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with his or her duties to the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any employee is now obligated. The Company does not believe that it is or will be necessary to utilize any inventions, trade secrets or proprietary information of any of its employees or consultants made prior to their employment or engagement by the Company, except for inventions, trade secrets or proprietary information that have been assigned to or licensed by the Company.

3.9 COMPLIANCE WITH OTHER INSTRUMENTS. The Company is not in violation or default of any term of its Amended and Restated Articles or Bylaws, or of any provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or by which it is bound or of any judgment, decree, order, writ or, to its knowledge, any statute, rule or regulation applicable to the Company which would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. The execution, delivery, and performance of and compliance with this Agreement, and the issuance and sale of the Shares pursuant hereto and of the Conversion Shares pursuant to the Amended and Restated Articles, will not, with or without the passage of time or giving of notice, result in any such material violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties.

3.10 LITIGATION. There is no action, suit, proceeding or investigation pending or currently threatened against the Company that questions the validity of this Agreement, or the right of the Company to enter into any of such agreements or to

consummate the transactions contemplated hereby or thereby, or which might result, either individually or in the aggregate, in any material adverse change in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions pending or threatened (or any basis therefor known to the Company) involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers. There is no action, suit, proceeding or investigation by the Company currently pending or which the Company intends to initiate. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

3.11 TAX RETURNS, PAYMENTS AND ELECTIONS. The Company has timely filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due except in any such case as would not have a material adverse effect on the Company. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date hereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as an S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code, nor has it made any other elections pursuant to the Code (other than elections that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositories.

3.12 EMPLOYEES. The Company has no collective bargaining agreements with any of its employees. There is no labor union organizing activity pending or, to the Company's knowledge, threatened with respect to the Company. To the best of the Company's knowledge, no employee of the Company, nor any consultant with whom the Company has contracted, is in violation of any term of any employment contract, proprietary information agreement, patent disclosure agreement or any other agreement relating to the right of any such individual to be employed by, or to contract with, the Company because of the nature of the business to be conducted by the Company; and to the best of the Company's knowledge, the continued employment by

the Company of its present employees, and the performance of the Company's contract with its independent contractors, will not result in any such violation. The Company has not received any written notice alleging that any such violation has occurred. No employee of the Company has been granted the right to continued employment by the Company or to any material compensation following termination of employment with the Company. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any officer, key employee, or group of key employees.

3.13 REGISTRATION RIGHTS. Except as required pursuant to the First Amended Investors' Rights Agreement, pursuant to the terms of a Series S-1 Preferred Stock Purchase Agreement dated November 22, 1999 between the Company and Stallergenes S.A. (the "Series S-1 Preferred Stock Purchase Agreement"), and pursuant to the terms of a Series R Preferred Stock Purchase Agreement dated March 7, 2000 between the Company and Aventis Pasteur S.A. (the "Series R Stock Purchase Agreement"), the Company is presently not under any obligation, and has not granted any rights, to register any of the Company's presently outstanding securities or any of its securities that may hereafter be issued. Other than a right to request that the Company initiate a registration of securities, the registration rights provided to the holders of the Company's Series A Preferred Stock and Series B Preferred Stock in the First Amended Investor Rights Agreement are substantially identical to those provided in Section 6 of this Agreement and the registration rights provided in the Series S-1 Preferred Stock Purchase Agreement and the Series R Preferred Stock Purchase Agreement are substantially identical to those provided in Section 6 of this Agreement.

3.14 COMPLIANCE WITH LAWS; PERMITS. The Company is not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties which violation would materially and adversely affect the business, assets, liabilities, financial condition, operations or prospects of the Company. No governmental orders, permissions, consents, approvals or authorizations are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of this Agreement and the issuance of the Shares or the Conversion Shares, except such as has been duly and validly obtained or filed, or with respect to any filings that must be made after the Closing. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects or financial condition of the Company and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as planned to be conducted.

3.15 OFFERING VALID. Assuming the accuracy of the representations and warranties of the Purchaser contained in Section 4.2 hereof, the offer, sale and issuance of the Shares and the Conversion Shares will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") and will have been registered or qualified (or are exempt from registration and qualification)

under the registration, permit or qualification requirements of all applicable state securities laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Shares to any person or persons so as to bring the sale of such Shares by the Company within the registration provisions of the Securities Act.

3.16 ENVIRONMENTAL REQUIREMENTS.

(a) To the best of the Company's knowledge, the Company has not caused or allowed, nor has the Company contracted with any party for, the generation, use, transportation, treatment, storage or disposal of any Hazardous Substances (as defined below) in connection with the operations of its business or otherwise, other than cleaning, maintenance and similar supplies used in the ordinary course of business.

(b) To the best of the Company's knowledge, the Company, the operations of its business, and any real property that the Company owns, leases, or otherwise occupies or uses (the "Premises") are in substantial compliance with all applicable Environmental Laws (as defined below) and orders or directives of any governmental authorities having jurisdiction under such Environmental Laws including, without limitation, any Environmental Laws or orders or directives with respect to any cleanup or remediation of any release or threat of release of Hazardous Substances.

(c) The Company has not received any citation, directive, letter or other communication, written or oral, or any notice of any proceedings, claims or lawsuits, from any person, entity or governmental authority arising out of the ownership or occupation of the Premises, or the conduct of its operations, nor is it aware of any basis thereof.

(d) To the best of the Company's knowledge, the Company has obtained and is maintaining in full force and effect all necessary permits, licenses and approvals required by any Environmental Laws, if any, applicable to the Premises and the business operations conducted thereon (including operations conducted by tenants on the Premises) and is in substantial compliance with all such permits, licenses and approvals.

(e) The Company has not caused, or allowed a release, or a threat of release, of any Hazardous Substance into, nor to the best of the Company's knowledge has the Premises or any property at or near the Premises ever been subject to a release, or a threat of a release, of any Hazardous Substance.

(f) For purposes of this Section 3.16, the term, "Environmental Laws" shall mean any federal, state or local law, ordinance or regulation pertaining to the protection of human health or the environment including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sections 9601, et seq., Emergency Planning and Community Right-to-Know Act, 42 U.S.C. Sections 11001, et seq., and the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, et seq.

For purposes of this Section 3.16, the term, "Hazardous Substance" includes oil and petroleum products, asbestos, polychlorinated biphenyls and urea formaldehyde, and any other materials classified as hazardous or toxic under any Environmental Laws.

3.17 ENVIRONMENTAL AND SAFETY LAWS. The Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to the best of its knowledge, no material expenditures are or will be required to comply with any such existing statute, law or regulation.

3.18 PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT. Each former and current employee and consultant of the Company has, or shall have prior to the Closing, executed a Proprietary Information and Inventions Agreement in customary form. The Company, after reasonable investigation, is not aware that any of its employees or consultants are in violation thereof, and the Company will use its best efforts to prevent such violation. Each former and current employee or consultant of the Company has executed a Proprietary Information and Inventions Agreement substantially in the form attached hereto as EXHIBIT C.

3.19 FULL DISCLOSURE. This Agreement, the exhibits hereto, and all other documents delivered by the Company to Purchaser or its attorneys or agents in connection herewith or therewith or with the transactions contemplated hereby or thereby, when taken as a whole, neither contain any untrue statement of a material fact nor omit to state a material fact necessary to make the statements contained herein or therein not misleading.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

Purchaser hereby represents and warrants to the Company as follows (such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 REQUISITE POWER AND AUTHORITY. Purchaser has all necessary power and authority under all applicable provisions of law to execute and deliver this Agreement and to carry out its provisions. All actions on Purchaser's part required for the lawful execution and delivery of this Agreement have been or will be effectively taken prior to the Closing. Upon their execution and delivery, this Agreement will be a valid and binding obligation of Purchaser, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and (ii) general principles of equity that restrict the availability of equitable remedies, and (iii) to the extent that the enforceability of the indemnification provisions of Section 6.8 of this Agreement may be limited by applicable laws.

4.2 INVESTMENT REPRESENTATIONS. Purchaser understands that neither the Shares nor the Conversion Shares have been registered under the Securities Act of 1933, as amended (the "Securities Act"). Purchaser also understands that the Shares are being offered and sold pursuant to an exemption from registration contained in the

Securities Act based in part upon Purchaser's representations contained in the Agreement. Purchaser hereby represents and warrants as follows:

(a) PURCHASER BEARS ECONOMIC RISK. Purchaser has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. Purchaser must bear the economic risk of this investment indefinitely unless the Shares (or the Conversion Shares) are registered pursuant to the Securities Act, or an exemption from registration is available. Purchaser understands that the Company has no present intention of registering the Shares, the Conversion Shares or any shares of its Common Stock. Purchaser also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow Purchaser to transfer all or any portion of the Shares or the Conversion Shares under the circumstances, in the amounts or at the times Purchaser might propose.

(b) ACQUISITION FOR OWN ACCOUNT. Purchaser is acquiring the Shares and the Conversion Shares for Purchaser's own account for investment only, and not with a view towards their distribution.

(c) PURCHASER CAN PROTECT ITS INTEREST. Purchaser represents that by reason of its, or of its management's, business or financial experience, Purchaser has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement.

(d) ACCREDITED INVESTOR. Purchaser represents that it is an accredited investor within the meaning of Regulation D under the Securities Act.

(e) COMPANY INFORMATION. Purchaser has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's financial statements, operations and facilities. Purchaser has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment. The parties agree that the foregoing representation shall not affect the representations and warranties made by the Company in Section 3 of this Agreement or affect Purchaser's right to rely on such representations and warranties without investigation.

(f) RULE 144. Purchaser acknowledges and agrees that the Shares, and, if issued, the Conversion Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the Securities Act, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the

security to be sold, the sale being through an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended) and the number of shares being sold during any three-month period not exceeding specified limitations.

SECTION 5. CONDITIONS TO CLOSING.

5.1 CONDITIONS TO PURCHASER'S OBLIGATIONS AT THE CLOSING. Purchaser's obligations to purchase the Shares at the Closing are subject to the satisfaction, at or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE; PERFORMANCE OF OBLIGATIONS. The representations and warranties made by the Company in Section 3 hereof shall be true and correct in all material respects as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) CONSENTS, PERMITS, AND WAIVERS. The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

(c) FILING OF AMENDED AND RESTATED ARTICLES. The Amended and Restated Articles substantially in the form attached hereto as EXHIBIT A shall have been filed with the Secretary of State of the State of California.

(d) RESERVATION OF CONVERSION SHARES. The Conversion Shares issuable upon conversion of the Shares shall have been duly authorized and reserved for issuance upon such conversion.

(e) STOCK CERTIFICATES. A stock certificate representing the Shares shall have been delivered to the Purchaser.

(f) PROCEEDINGS AND DOCUMENTS. All corporate and other proceedings in connection with the transactions contemplated at the Closing hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Purchaser, and the Purchaser shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(g) CONTINUED EFFECTIVENESS. This Agreement and other agreements contemplated hereby shall continue to be in full force and effect.

(h) CERTIFICATE OF PRESIDENT. Purchaser shall have received a certificate of the President of the Company dated such Closing Date to the effect that (i) the representations and warranties made by the Company in Section 3 hereof are true and correct in all material respects as of the Closing with the same force and effect as if

they had been made as of the Closing, except those made as to a particular date which shall be true as of such date.

(i) LEGAL INVESTMENT. On the Closing Date, the sale and issuance of the Shares shall be legally permitted by all laws and regulations to which Purchaser and the Company are subject.

(j) LEGAL OPINION. Purchaser shall have received from legal counsel to the Company a favorable opinion addressed to Purchaser, dated as of the Closing Date, in the form attached hereto as EXHIBIT B.

(k) NO VIOLATIONS. The purchase of and payment for the Shares to be purchased by the Purchaser on the Closing Date on the terms and conditions herein provided shall not violate any applicable law or governmental regulation.

5.2 CONDITIONS TO OBLIGATIONS OF THE COMPANY. The Company's obligation to issue and sell the Shares at the Closing is subject to the satisfaction, on or prior to the Closing, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties made by Purchaser in Section 4 hereof shall be true and correct in all material respects at the date of the Closing, with the same force and effect as if they had been made on and as of said date.

(b) PERFORMANCE OF OBLIGATIONS. Purchaser shall have performed and complied with all agreements and conditions herein required to be performed or complied with by Purchaser on or prior to the Closing.

(c) CONSENTS, PERMITS, AND WAIVERS. The Company shall have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the Agreement (except for such as may be properly obtained subsequent to the Closing).

SECTION 6. REGISTRATION RIGHTS.

6.1 DEFINITIONS. As used in this Section 6, the following terms shall have the following respective meanings:

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FORM S-3" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"HOLDER" means any person owning of record Shares or Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 6.9 hereof.

"INITIAL OFFERING" means the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

"REGISTER," "REGISTERED," and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

"REGISTRABLE SECURITIES" means (i) Common Stock of the Company issued or issuable upon conversion of the Shares; (ii) Common Stock of the Company issued or issuable upon conversion of the Series A, Series B, Series S-1, Series R, and Series T Preferred Stock of the Company; (iii) Common Stock of the Company issued or issuable either directly, or upon conversion of any other Series of Preferred Stock, the holders of which are granted registration rights by the Company, and (iv) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities. Notwithstanding the foregoing, Registrable Securities shall not include any securities either sold by a person to the public pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor's rights under Section 2 of this Agreement are not assigned.

"REGISTRABLE SECURITIES THEN OUTSTANDING" shall be the number of shares determined by calculating the total number of shares of the Company's Common Stock that are Registrable Securities and either (1) are then issued and outstanding or (2) are issuable pursuant to then exercisable or convertible securities.

"REGISTRATION EXPENSES" shall mean all expenses incurred by the Company in complying with Sections 6.2 and 6.3 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding fees and disbursements of additional counsel for any of the Holders, which fees and disbursements shall be the obligations of such Holders, and excluding the compensation of regular employees of the Company, which compensation shall be paid in any event by the Company).

"SEC" or "COMMISSION" means the Securities and Exchange Commission.

"SELLING EXPENSES" shall mean all underwriting discounts and selling commissions applicable to the sale of Shares pursuant to the Agreement.

"SHARES" shall mean the Company's Series T Stock issued pursuant to this Purchase Agreement.

6.2 PIGGYBACK REGISTRATIONS. The Company shall notify all Holders in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company

(including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act), either for its own account or for the account of a security holder or security holders, and the Company will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) UNDERWRITING. If the registration statement under which the Company gives notice under this Section 6.2 is for an underwritten offering, the Company shall so advise the Holders. In such event, the right of any such Holder to be included in a registration pursuant to this Section 6.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a pro rata basis based on the total number of Registrable Securities proposed to be included by each Holder in the underwriting; and third, to any shareholder of the Company (other than a Holder) on a pro rata basis. No such reduction shall reduce the securities being offered by the Holders to less than 50% of the securities proposed to be sold by them in the offering unless all such shares other than shares held by Holders exercising a demand registration right are excluded. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering.

(b) RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 6.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 6.4 hereof.

6.3 FORM S-3 REGISTRATION. In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration

on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 6.3:

(i) if Form S-3 (or any successor or similar form) is not available for such offering by the Holders, or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars ($1,000,000), or

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors or the President of the Company stating that in the good-faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 6.3; provided, that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12) month period, or

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form S-3 for the Holders pursuant to this Section 6.3, or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

6.4 EXPENSES OF REGISTRATION. All expenses of registration (exclusive of underwriting discounts and commissions) including, without limitation, the fees and expenses of one special counsel, if any, for the selling shareholders for the demand, piggyback and S-3 registrations shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered.

6.5 OBLIGATIONS OF THE COMPANY. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred twenty (120) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated

therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Furnish, at the request of any Holder participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and to such Holder requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to such Holder requesting registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

6.6 TERMINATION OF REGISTRATION RIGHTS. All registration rights granted under this Section 6 shall terminate and be of no further force and effect after the earlier of (i) three (3) years after the date of the Company's Initial Offering, or (ii) the date when the Company has completed its Initial Offering and is subject to the provisions of the Exchange Act and (a) all Registrable Securities held by and issuable to such Holder may be sold during any ninety (90) day period and (b) such Holder holds less than one percent (1%) of the Company's outstanding stock under Rule 144(k) (or successor rule promulgated by the SEC).

6.7 DELAY OF REGISTRATION; FURNISHING INFORMATION.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 6.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 6.2 or 6.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

6.8 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under Sections 6.2 or 6.3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors and legal counsel of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the

meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, legal counsel, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, and legal counsel and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers or legal counsel, or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, or partner, director, officer legal counsel or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, legal counsel, controlling person, underwriter or other Holder, or partner, officer, director legal counsel or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage,

liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this Section 6.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided further, that in no event shall any indemnity under this Section 6.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 6.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6.8, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate therein, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 6.8.

(d) If the indemnification provided for in this Section 6.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 6.8 shall survive completion of any offering of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or

litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

6.9 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to this Section 6 may be assigned by a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, general partner, limited partner or retired partner of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) acquires at least fifty thousand (50,000) shares of Registrable Securities (as adjusted for stock splits and combinations); provided, however, (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

6.10 AMENDMENT OF REGISTRATION RIGHTS. Any provision of this Section 6 may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of at least two-thirds (66 2/3%) of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this Section 6.10 shall be binding upon each Holder and the Company. By acceptance of any benefits under this Section 6, Holders of Registrable Securities hereby agree to be bound by the provisions hereunder.

6.11 "MARKET STAND-OFF" AGREEMENT. If requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act; and such Holder shall enter into a reasonable, written lock-up agreement to that effect if requested by the Company or the representative of the underwriters; provided that:

(i) such agreement shall apply only to the Company's Initial Offering; and

(ii) all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

(iii) The obligations described in this Section 6.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be

promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

6.12 RULE 144 REPORTING. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) so long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 7. MISCELLANEOUS.

7.1 GOVERNING LAW. This Agreement shall be governed in all respects by the laws of the State of California as such laws are applied to agreements between California residents entered into and performed entirely in California.

7.2 SURVIVAL. The representations, warranties, covenants and agreements made herein shall survive any investigation made by Purchaser and the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of a party pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by such party hereunder solely as of the date of such certificate or instrument.

7.3 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of the Shares from time to time.

7.4 ENTIRE AGREEMENT. This Agreement, any and all exhibits and schedules hereto and the other documents delivered pursuant hereto constitute the full

and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

7.5 SEVERABILITY. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.6 AMENDMENT AND WAIVER. This Agreement may be amended, modified or waived only upon the written consent of the Company and Purchaser.

7.7 DELAYS OR OMISSIONS. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on Purchaser's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

7.8 NOTICES. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the parties at the respective addresses set forth below, or at such other address as such party may designate by ten (10) days advance written notice to the other party:

To the Company:	Dynvax Technologies Corporation Attention: President and Chief Executive Officer 717 Potter Street, Suite 100 Berkeley, CA 94710 Facscimile: (510) 848-5694
To the Purchaser:	Triangle Pharmaceuticals, Inc. Attention: Chris A. Rallis, Executive Vice President Business Development, General Counsel
(By Express Courier:)	4 University Place, 4611 University Drive Durham, NC 27707
(By Mail:)	P.O. Box 50530 Durham, NC 27717-0530
	Facsimile: (919) 402-1148

7.9 EXPENSES. The Company and Purchaser shall each pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement.

7.10 ATTORNEYS' FEES. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party or parties in such dispute shall be entitled to recover from the losing party or parties all fees, costs and expenses of enforcing any right of such prevailing party or parties under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 TITLES AND SUBTITLES. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 BROKER'S FEES. Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this paragraph being untrue.

7.14 PRONOUNS. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

IN WITNESS WHEREOF, the parties hereto have executed the SERIES T PREFERRED STOCK PURCHASE AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:	PURCHASER:
DYNAVAX TECHNOLOGIES CORPORATION	TRIANGLE PHARMACEUTICALS, INC.
By: /s/ Dino Dina	By: /s/ Chris Rallis
Dino Dina	Chris Rallis
President & CEO	President & COO
ADDRESS:	ADDRESS:
Dynavax Technologies Corporation 717 Potter Street, Suite 100 Berkeley, CA 94710	Triangle Pharmaceuticals, Inc. 4 University Place 4611 University Drive Durham, NC 27707

Exhibit 10.2

DYNAVAX TECHNOLOGIES CORPORATION

1997 EQUITY INCENTIVE PLAN

ADOPTED JANUARY 22, 1997

AMENDED ON DECEMBER 17, 1998

AMENDED ON JANUARY 20, 2000

AMENDED ON MAY 10, 2000

1. PURPOSES.

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company, and its Affiliates, may be given an opportunity to benefit from increases in value of the stock of the Company through the granting of (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses, and (iv) rights to purchase restricted stock.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Stock Awards issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to subsection 3(c), be either (i) Options granted pursuant to Section 6, including Incentive Stock Options and Nonstatutory Stock Options, or (ii) stock bonuses or rights to purchase restricted stock granted pursuant to Section 7. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and in such form as issued pursuant to Section 6, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option. Further the Company intends that Stock Awards issued under the Plan shall comply with the provisions of Rule 701 promulgated by the Securities and Exchange Commission under the Securities Act and are also intended to be exempt from the securities qualification requirements of the California Corporations Code pursuant to Section 25102(o) of that code.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and respectively, of the Code.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CAUSE" means, with respect to the termination by the Company or an Affiliate of an individual's Continuous Status as an Employee, Director or Consultant, that such termination is for "Cause" as such term is expressly defined in a then-effective written agreement between the individual and the Company or such Affiliate, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the individual's: (i) refusal or failure to act in accordance with any specific, lawful direction or order of the Company or an Affiliate; (ii) unfitness or unavailability for service or unsatisfactory performance (other than as a result of disability); (iii) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or an Affiliate; (iv) dishonesty, intentional misconduct or material breach of any agreement with the Company or an Affiliate; or (v) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person. At least 30 days prior to the termination of the individual's Continuous Status as an Employee, Director or Consultant pursuant to (i) or (ii) above, the Company shall provide the individual with notice of the Company's or such Affiliate's intent to terminate, the reason therefor, and an opportunity for the individual to cure such defects in his or her service to the Company's or such Affiliate's satisfaction. During this 30 day (or longer) period, no Stock Award issued to the individual under the Plan may be exercised or purchased.

(d) "CODE" means the Internal Revenue Code of 1986, as amended.

(e) "COMMITTEE" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(f) "COMPANY" means Dynavax Technologies Corporation, a California corporation.

(g) "CONSULTANT" means any person, including an advisor, engaged by the Company or an Affiliate to render consulting services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(h) "CONTINUOUS STATUS AS AN EMPLOYEE, DIRECTOR OR CONSULTANT" means that the service of an individual to the Company, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Board or the chief executive officer of the Company may determine, in that party's sole discretion, whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board or the chief executive officer of the Company, including sick leave, military leave, or any other personal leave; or (ii) transfers between the Company, Affiliates or their successors.

(i) "COVERED EMPLOYEE" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to shareholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(j) "DIRECTOR" means a member of the Board.

(k) "EMPLOYEE" means any person, including Officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(l) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(m) "FAIR MARKET VALUE" means, as of any date, the value of the common stock of the Company determined as follows and in each case in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations:

(i) If the common stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of common stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Company's common stock) on the last market trading day prior to the day of determination, as reported in THE WALL STREET JOURNAL or such other source as the Board deems reliable.

(ii) In the absence of such markets for the common stock, the Fair Market Value shall be determined in good faith by the Board.

(n) "GOOD REASON" means the occurrence after a Corporate Transaction (as defined in Section 12(b)) of any of the following events or conditions unless consented to by an individual:

(i) a change in the individual's status, title, position or responsibilities which represents an adverse change from the individual's status, title, position or responsibilities as in effect at any time within six (6) months preceding the date of a Corporate Transaction or at any time thereafter or (B) the assignment to the individual of any duties or responsibilities which are inconsistent with the individual's status, title, position or responsibilities as in effect at any time within six (6) months preceding the date of a Corporate Transaction or at any time thereafter;

(ii) reduction in the individual's base salary to a level below that in effect at any time within six (6) months preceding the date of a Corporate Transaction or at any time thereafter; or

(iii) requiring the individual to be based at any place outside a forty-mile radius from the individual's job location prior to the Corporate Transaction except for reasonably required travel on business which is not materially greater than such travel requirements prior to the Corporate Transaction.

(o) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "LISTING DATE" means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange, or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system if such securities exchange or interdealer quotation system has been certified in accordance with the provisions of Section 25 1 00(o) of the California Corporate Securities Law of 1968.

(q) "NON-EMPLOYEE DIRECTOR" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(r) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(s) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) "OPTION" means a stock option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "OPTIONEE" MEANS a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) "OUTSIDE DIRECTOR" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of the Treasury regulations promulgated under Section 162(m) of the Code), is not a former employee of

the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time, and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(x) "PLAN" means this 1997 Equity Incentive Plan.

(y) "RULE 10-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect with respect to the Company at the time discretion is being exercised regarding the Plan.

(z) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(aa) "STOCK AWARD" means any right granted under the Plan, including any Option, any stock bonus and any right to purchase restricted stock.

(bb) "STOCK AWARD AGREEMENT" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

3. ADMINISTRATION.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; whether a Stock Award will be an Incentive Stock Option, a Nonstatutory Stock Option, a stock bonus, a right to purchase restricted stock, or a combination of the foregoing; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 13.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) The Board may delegate administration of the Plan to a committee of the Board composed of not fewer than two (2) members (the "Committee"), all of the members of which Committee may be, in the discretion of the Board, Non-Employee Directors and/or Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee of two (2) or more Outside Directors any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or such a subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. Additionally, prior to the Listing Date, and notwithstanding anything to the contrary contained herein, the Board may delegate administration of the Plan to any person or persons and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. Notwithstanding anything in this Section 3 to the contrary, the Board or the Committee may delegate to a committee of one or more members of the Board the authority to grant Stock Awards to eligible persons who (1) are not then subject to Section 16 of the Exchange Act and/or (2) are either (i) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award, or (ii) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code.

4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 12 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate three million four hundred forty three thousand six hundred thirty (3,443,630) shares of the Company's common stock. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted only to Employees, Directors or Consultants.

(b) No person shall be eligible for the grant of an Option or an award to purchase restricted stock if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant, or in the case of a restricted stock purchase award, the purchase price is at least one hundred percent (100%) of the Fair Market Value of such stock at the date of grant.

(c) Subject to the provisions of Section 12 relating to adjustments upon changes in stock, no person shall be eligible to be granted Options covering more than seven hundred thousand (700,000) shares of the Company's common stock in any calendar year. This subsection 5(c) shall not apply prior to the Listing Date and, following the Listing Date, shall not apply until (i) the earliest of-. (A) the first material, modification of the Plan (including any increase to the number of shares reserved for issuance under the Plan in accordance with Section 4); (B) the issuance of all of the shares of common stock reserved for issuance under the Plan; (C) the expiration of the Plan; or (D) the first meeting of shareholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security under section 12 of the Exchange Act; or (ii) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) PRICE. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted; the exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) CONSIDERATION. The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in

cash at the time the Option is exercised, or (ii) at the discretion of the Board or the Committee, at the time of the grant of the Option, (A) by delivery to the Company of other common stock of the Company, (B) according to a deferred payment or other arrangement (which may include, without limiting the generality of the foregoing, the use of other common stock of the Company) with the person to whom the Option is granted or to whom the Option is transferred pursuant to subsection 6(d), or (C) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(d) TRANSFERABILITY. An Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person. The person to whom the Option is granted may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

(e) VESTING. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ("vest") with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary but in each case will provide for vesting of at least twenty percent (20%) per year of the total number of shares subject to the Option; PROVIDED, HOWEVER, that an Option granted to an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may become fully exercisable, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company or of any of its Affiliates. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(f) TERMINATION OF EMPLOYMENT OR RELATIONSHIP AS A DIRECTOR OR CONSULTANT. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than upon the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer or shorter period, which shall not be

less than thirty (30) days, unless such termination is for cause, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

An Optionee's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionee's Continuous Status as an Employee, Director, or Consultant (other than upon the Optionee's death or disability) would result in liability under Section 16(b) of the Exchange Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in the Option Agreement, or (ii) the tenth (10th) day after the last date on which such exercise would result in such liability under Section 16(b) of the Exchange Act. Finally, an Optionee's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (other than upon the Optionee's death or disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (1) the expiration of the ten-n of the Option set forth in the first paragraph of this subsection 6(t), or (ii) the expiration of a period of three (3) months after the termination of the Optionee's Continuous Status as an Employee, Director or Consultant during which the exercise of the Option would not be in violation of such registration requirements.

(g) DISABILITY OF OPTIONEE. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates as a result of the Optionee's disability, the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) DEATH OF OPTIONEE. In the event of the death of an Optionee during, or within a period specified in the Option Agreement after the termination of, the Optionee's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent the Optionee was entitled to exercise the Option as of the date of death) by the Optionee's estate, by a person who acquired the right to exercise the Option by

bequest or inheritance or by a person designated to exercise the option upon the Optionee's death pursuant to subsection 6(d), but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(i) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionee may elect at any time while an Employee, Director or Consultant to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company, with the repurchase price to be equal to the original purchase price of the stock, or to any other restriction the Board determines to be appropriate; PROVIDED, HOWEVER, that (i) the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Option was granted, and (ii) such right shall be exercisable only within (A) the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant, or (B) such longer period as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares. Should the right of repurchase be assigned by the Company, the assignee shall pay the Company cash equal to the difference between the original purchase price and the stock's Fair Market Value if the original purchase price is less than the stock's Fair Market Value. Notwithstanding the foregoing, shares received on exercise of an Option by an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may be subject to additional or greater restrictions.

(j) RIGHT OF REPURCHASE. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, or prior to the occurrence of an event constituting a "Change in Control" as defined in subsection 12(b) of the Plan, to repurchase all or any part of the vested shares exercised pursuant to the Option; PROVIDED, HOWEVER, that (i) such repurchase right shall be exercisable only within (A) the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant (or in the case of post-termination exercise of the Option the ninety (90) day period following such post-termination exercise), or (B) such longer period as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), (ii) such repurchase right shall be exercisable for less than all of the vested shares only with the Optionee's consent, and (iii) such right shall be exercisable only for

cash or cancellation of purchase money indebtedness for the shares at a repurchase price equal to the greater of (A) the stock's Fair Market Value at the time of such termination or (B) the original purchase price paid for such shares by the Optionee. Notwithstanding the foregoing, shares received on exercise of an Option by an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may be subject to additional or greater restrictions specified in the Option Agreement.

(k) RIGHT OF FIRST REFUSAL. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to exercise a right of first refusal following receipt of notice from the Optionee of the intent to transfer all or any part of the shares exercised pursuant to the Option.

(l) RE-LOAD OPTIONS. Without in any way limiting the authority of the Board or Committee to make or not to make grants of Options hereunder, the Board or Committee shall have the authority (but not an obligation) to include as part of any Option Agreement a provision entitling the Optionee to a further Option (a "Re-Load Option") in the event the Optionee exercises the Option evidenced by the Option agreement, in whole or in part, by surrendering other shares of Common Stock in accordance with this Plan and the terms and conditions of the Option Agreement. Any such Re-Load Option (i) shall be for a number of shares equal to the number of shares surrendered as part or all of the exercise price of such Option; (ii) shall have an expiration date which is the same as the expiration date of the Option the exercise of which gave rise to such Re-Load Option; and (iii) shall have an exercise price which is equal to one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Re-Load Option on the date of exercise of the original Option. Notwithstanding the foregoing, a Re-Load Option which is granted to a 10% shareholder (as described in subsection 5(b)), shall have an exercise price which is equal to one hundred ten percent (110%) of the Fair Market Value of the stock subject to the Re-Load Option on the date of exercise of the original Option and shall have a term which is no longer than five (5) years.

Any such Re-Load Option may be an Incentive Stock Option or a Nonstatutory Stock Option, as the Board or Committee may designate at the time of the grant of the original Option; PROVIDED, HOWEVER, that the designation of any Re-Load Option as an Incentive Stock Option shall be subject to the one hundred thousand dollar ($100,000) annual limitation on exercisability of Incentive Stock Options described in subsection 12(e) of the Plan and in Section 422(d) of the Code. There shall be no Re-Load Options on a Re-Load Option. Any such Re-Load Option shall be subject to the availability of sufficient shares under subsection 4(a) and the limits on the grants of Options under subsection 5(c) and shall be subject to such other terms and conditions as the Board or Committee may determine which are not inconsistent with the express provisions of the Plan regarding the terms of Options.

7. TERMS OF STOCK BONUSES AND PURCHASES OF RESTRICTED STOCK.

Each stock bonus or restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate. The terms and conditions of stock bonus or restricted stock purchase agreements may change from time to time, and the terms and conditions of separate agreements need not be identical, but each stock bonus or restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions as appropriate:

(a) PURCHASE PRICE. The purchase price under each restricted stock purchase agreement shall be such amount as the Board or Committee shall determine and designate in such Stock Award Agreement, but in no event shall the purchase price be less than eighty-five percent (85%) of the stock's Fair Market Value on the date such award is made. Notwithstanding the foregoing, the Board or the Committee may determine that eligible participants in the Plan may be awarded stock. pursuant to a stock bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(b) TRANSFERABILITY. Rights under a stock bonus or restricted stock purchase agreement shall be transferable by the grantee only upon such terms and conditions as are set forth in the applicable Stock Award Agreement, as the Board or the Committee shall determine in its discretion, so long as stock awarded under such Stock Award Agreement remains subject to the terms of the agreement.

(c) CONSIDERATION. The purchase price of stock acquired pursuant to a stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board or the Committee, according to a deferred payment or other arrangement with the person to whom the stock is sold; or (iii) in any other form of legal consideration that may be acceptable to the Board or the Committee in its discretion. Notwithstanding the foregoing, the Board or the Committee to which administration of the Plan has been delegated may award stock pursuant to a stock bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(d) VESTING. Shares of stock sold or awarded under the Plan may, but need not, be subject to a repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board or the Committee. The applicable agreement shall provide (i) that the right to repurchase at the original purchase price (or, in the case of a stock bonus, Fair Market Value on the grant date) shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Stock Award was granted (except that a Stock Award granted to an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may become fully vested, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company or of any of its Affiliates), and (ii) such right shall be exercisable only (A) within the ninety (90) day

period following the termination of employment or the relationship as a Director or Consultant, or (B) such longer period as may be agreed to by the Company and the holder of the Stock Award (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares. Should the right of repurchase be assigned by the Company, the assignee shall pay the Company cash equal to the difference between the original purchase price and the stock's Fair Market Value if the original purchase price is less than the stock's Fair Market Value.

(e) TERMINATION OF EMPLOYMENT OR RELATIONSHIP AS A DIRECTOR OR CONSULTANT. In the event a Participant's Continuous Status as an Employee, Director or Consultant terminates, the Company may repurchase or otherwise reacquire, subject to the limitations described in subsection 7(d), any or all of the shares of stock held by that person which have not vested as of the date of termination under the terms of the stock bonus or restricted stock purchase agreement between the Company and such person.

(f) RIGHT OF REPURCHASE. The stock bonus or restricted stock purchase agreement may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, or prior to the occurrence of an event constituting a "Change in Control" as defined in subsection 12(b) of the Plan, to repurchase all or any part of the vested shares received pursuant to the stock bonus or restricted stock purchase agreement; PROVIDED, HOWEVER, that (i) such repurchase right shall be exercisable only within (A) the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant, or (B) such longer period as may be agreed to by the Company and the grantee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), (ii) such repurchase right shall be exercisable for less than all of the vested shares only with the grantee's consent, and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares at a repurchase price equal to the greater of (A) the stock's Fair Market Value at the time of such termination or (B) the original purchase price paid for such shares by the grantee (or in the case of a stock bonus, Fair Market Value on the grant date).

8. CANCELLATION AND RE-GRANT OF OPTIONS.

(a) The Board or the Committee shall have the authority to effect, at any time and from time to time, (i) the repricing of any outstanding Options under the Plan and/or (ii) with the consent of the affected holders of Options, the cancellation of any outstanding Options under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different numbers of shares of stock, but having an exercise price per share not less than eighty-five percent (85%) of the Fair Market Value (one hundred percent (100%) of the Fair Market Value in the case of an Incentive Stock Option) or, in the case of a 10% shareholder (as described in subsection 5(b)), not less than one hundred ten percent (110%) of the Fair Market Value) per share of stock on the

new grant date. Notwithstanding the foregoing, the Board or the Committee may grant an Option with an exercise price lower than that set forth above if such Option is granted as part of a transaction to which section 424(a) of the Code applies.

(b) Shares subject to an Option canceled under this Section 8 shall continue to be counted against the maximum award of Options permitted to be granted pursuant to subsection 5(c) of the Plan. The repricing of an Option under this Section 8, resulting in a reduction of the exercise price, shall be deemed to be a cancellation of the original Option and the grant of a substitute Option; in the event of such repricing, both the original and the substituted Options shall be counted against the maximum awards of Options permitted to be granted pursuant to subsection 5(c) of the Plan. The provisions of this subsection 8(b) shall be applicable only to the extent required by Section 162(m) of the Code.

9. COVENANTS OF THE COMPANY.

(a) During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of stock required to satisfy such Stock Awards.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the Stock Award; provided, however, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

11. MISCELLANEOUS.

(a) Subject to any applicable provisions of the California Corporate Securities Law of 1968 and related regulations relied upon as a condition of issuing securities pursuant to the Plan, the Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest pursuant to subsection 6(e) or 7(d), notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Neither an Employee, Director or Consultant nor any person to whom a Stock Award is transferred under subsection 6(d) or 7(b) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such person has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) Throughout the term of any Stock Award, the Company shall deliver to the holder of such Stock Award, not later than one hundred twenty (120) days after the close of each of the Company's fiscal years during the term of such Stock Award, a balance sheet and an income statement. This subsection shall not apply (i) after the Listing Date, or (11) when issuance is limited to key employees whose duties in connection with the Company assure them access to equivalent information. The Company shall comply with other information delivery requirements as applicable, including, but not limited to, Rule 428 of the Securities Act.

(d) Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Employee, Director, Consultant or other holder of Stock Awards any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment of any Employee with or without cause the right of the Company's Board of Directors and/or the Company's shareholders to remove any Director as provided in the Company's By-Laws and the provisions of the California Corporations Code, or the right to terminate the relationship of any Consultant subject to the terms of such Consultant's agreement with the Company or Affiliate.

(e) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(f) The Company may require any person to whom a Stock Award is granted, or any person to whom a Stock Award is transferred pursuant to subsection 6(d) or 7(b), as a condition of exercising or acquiring stock under any Stock Award, (1) to give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that such person is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Stock Award for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise or acquisition of stock under

the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(g) To the extent provided by the terms of a Stock Award Agreement, the person to whom a Stock Award is granted may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means or by a combination of such means: (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the common stock otherwise issuable to the participant as a result of the exercise or acquisition of stock under the Stock Award; or (3) delivering to the Company owned and unencumbered shares of the common stock of the Company.

12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any Stock Award (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the type(s) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person during any calendar year pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the type(s) and number of securities and price per share of stock subject to such outstanding Stock Awards. Such adjustments shall be made by the Board or the Committee, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company".)

(b) In the event of: (1) a dissolution, liquidation or sale of all or substantially all of the assets of the Company; (2) a merger or consolidation in which the Company is not the surviving corporation; or (3) a reverse merger in which the Company is the surviving corporation but the shares of the Company's common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise (each event, a "Corporate Transaction"); then: (i) any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the transaction described in this subsection 13(b)) for those outstanding under the Plan, or (ii) in the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to

substitute similar stock awards for those outstanding under the Plan, (A) with respect to Stock Awards held by persons then performing services as Employees, Directors or Consultants and subject to any applicable provisions of the California Corporate Securities Law of 1968 and related regulations relied upon as a condition of issuing securities pursuant to the Plan, the vesting of such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated prior to such event and the Stock Awards terminated if not exercised (if applicable) after such acceleration and at or prior to such event, and (B) with respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall be terminated if not exercised (if applicable) prior to such event. To the extent that any surviving corporation or successor acquiring corporation assumes any Stock Awards outstanding under the Plan or substitutes similar stock awards for those outstanding under the Plan, then such Stock Award (if assumed) or replacement stock award (if replaced) automatically shall become fully vested and exercisable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of such individual's Continuous Status as an Employee, Director or Consultant (substituting the successor employer corporation for "Company" or "Affiliate" for the definition of "Continuous Status as an Employee, Director or Consultant") if such Continuous Status as an Employee, Director or Consultant is terminated by the successor company without Cause or voluntarily by the Optionee with Good Reason within two (2) years of the Corporate Transaction.

13. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the shareholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

(1) Increase the number of shares reserved for Stock Awards under the Plan;

(2) Modify the requirements as to eligibility for participation in the Plan (to the extent such modification requires shareholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code); or

(3) Modify the Plan in any other way if such modification requires shareholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code or to comply with the requirements of Rule 16b-3.

(b) The Board may in its sole discretion submit any other amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation

from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) Rights and obligations under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Stock Award was granted and (ii) such person consents in writing.

(e) The Board at any time, and from time to time, may amend the terms of any one or more Stock Award; provided, however, that the rights and obligations under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the person to whom the Stock Award was granted and (ii) such person consents in writing.

14. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate ten (10) years from the date the Plan is adopted by the Board or approved by the shareholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the person to whom the Stock Award was granted.

15. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Options granted under the Plan shall be exercised and no shares of the Company's common stock subject to other Stock Awards shall be sold, disposed, or otherwise transferred unless and until the Plan has been approved by the shareholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

TRIPLE NET LABORATORY LEASE

This Lease is made and entered into as of January 30, 1998 between Fifth & Potter Street Associates, LLC ("Landlord") and Dynavax Technologies Corporation ("Tenant").

1. BASIC LEASE TERMS.

1.1. COMMENCEMENT OF LEASE. The term of this Lease shall commence the date Landlord notifies Tenant in writing that the construction to be performed by Landlord pursuant to Paragraph 2.2 hereof has been substantially completed or April 1, 1998 whichever is earlier. Completion shall have occurred when the Premises are in such condition as to permit Landlord to file a Notice of Completion with respect to its work, and all permits and approvals for occupancy and use by Tenant have been issued by the City of Berkeley.

1.2. LEASE TERM. This Lease shall continue in force for a term of five years.

1.3. BASE MONTHLY RENT.

Months 1 thru 30	-	$2.25/rentable sq. ft. (N,N,N)
Months 31 thru 60	-	$2.35/rentable sq. ft. (N,N,N)

1.4. TENANT'S PRO RATA SHARE. All references in this Lease to Tenant's pro rata share of any expense shall mean the total expense of any such item multiplied by a fraction, the numerator of which shall be the total floor area of the Premises (as adjusted pursuant to paragraph 2.1 of this Lease) and the denominator of which shall be the total floor area of the property. The "floor area" of the Premises shall be measured from the exterior surface of all exterior walls and from the center of all walls separating the Premises from adjacent Premises and/or common areas. The total floor area of the property shall be measured from the exterior surface of all exterior walls and shall include all common and core areas within the property. Tenant's pro rata share shall be adjusted as necessary if the actual square footage of the Premises is other than as set forth in paragraph 2.1 or the square footage of the property changes. As used in this Lease, the term PREMISES refers to that portion of the building leased to Tenant for Tenant's exclusive use. The term PROPERTY refers to the building in which the Premises are located.

1.5. ESTIMATED PAYMENTS.

Estimated monthly taxes	$0.146 per square foot
Estimated monthly insurance	$0.023 per square foot
Estimated monthly maintenance	$0.056 per square foot
Estimated monthly management	5% base monthly rent
Estimated monthly security and service	$0.052 per square foot

1.6. SECURITY DEPOSIT. The Tenant shall deposit with Landlord $17,919 as a security deposit for the faithful performance of this Lease.

1.7. USE. The leased Premises will be used exclusively for GENERAL RESEARCH AND DEVELOPMENT LABORATORIES WITH ASSOCIATED ADMINISTRATION, INCLUDING BUT NOT LIMITED TO RESEARCH AND ADMINISTRATION OF DNA-BASED VACCINES TO DEVELOP TREATMENTS FOR ALLERGIC, INFECTIOUS AND ONCOLOGIC DISEASES, and for no other purpose whatsoever, without Landlord's consent which shall not be unreasonably withheld.

2. PREMISES.

2.1. DESCRIPTION. Landlord hereby leases to Tenant for its exclusive use and occupancy subject to the provisions of this Lease approximately 7,240 usable square feet, as more particularly identified in Exhibit A annexed (the "Premises"), which constitutes a portion of a larger building owned by Landlord, commonly known as 717 Potter Street, Berkeley, California 94710 (the "property"). In addition to the square footage described above, Tenant shall be deemed to occupy an additional undivided 10% of such square footage for purposes of the calculation of base monthly rental and pro rata expense payments. Said 10% represents Tenant's share of the rental charges for the common area. For all calculations required under the terms of this Lease respecting proration of expenses, costs or charges, Tenant's Premises shall be deemed to consist of the square footage of the Premises augmented by the portion of the common area attributable to Tenant pursuant to this paragraph. As to such common areas (those outside of the Premises, but allocated to Tenant pursuant to this paragraph), Tenant shall have an undivided interest for nonexclusive use in conjunction with all other tenants of the building.

2.2. WORK OF IMPROVEMENT. The respective obligations of Landlord and Tenant to perform the work and supply material and labor to prepare the Premises for occupancy are set forth in EXHIBIT B annexed to and incorporated in this Lease. Landlord and Tenant shall expend all funds and do all acts required of them respectively in EXHIBIT B and shall have the work performed promptly and diligently in a first class, workmanlike manner. Tenant shall not commence any construction of improvements to be undertaken by Tenant until Landlord has approved in writing the final drawings for said improvements.

2.3. POSSESSION. Landlord shall deliver occupancy of the Premises to Tenant on the commencement date as set forth in Paragraph 1.1 of this Lease. Notwithstanding herein to the contrary, Tenant shall have the right to enter the Premises prior to the commencement of the term to take reasonable preparatory measures for its occupancy of the Premises, including, without limitation, the installation of its trade fixtures, furnishings, and telephone and computer equipment. Such entry shall be subject to all of the terms and conditions of this Lease, except that Tenant shall not be required to pay any Base Rent or Additional Rent during such early occupancy period.

2.4. OPTION TO EXPAND. See addendum.

3. TERM.

3.1. TERM. The Lease shall commence on the date specified in Paragraph 1.1 (the "commencement date") and shall continue thereafter for the term specified in Paragraph 1.2 (the "term"), unless sooner terminated or extended pursuant to the provisions of this Lease.

3.2. DELAY IN COMMENCEMENT. If, for any reason, Landlord cannot deliver possession of the Premises to Tenant on the commencement date, such failure shall not affect the validity of this Lease nor shall it extend the term or render Landlord liable to Tenant for any loss or damage resulting therefrom; except that if possession is not delivered to Tenant on the commencement date, Tenant shall not be obligated to pay rent until Landlord tenders possession of the Premises to Tenant in compliance with Paragraph 1.1. After 60 days following the projected commencement date have elapsed, if Landlord still cannot deliver possession to Tenant, Tenant or Landlord shall have the right to terminate this Lease upon written notice delivered to Landlord, whereupon Landlord shall promptly refund any sums deposited by Tenant with Landlord. In such event, Tenant shall have no further recourse against Landlord with respect to the Lease or Landlord's inability to deliver the Premises to Tenant and Landlord shall have no further recourse against Tenant with respect to the Lease. Notwithstanding any other provision of this Lease, Landlord shall have no obligation to pay any damages or adjustment to Tenant as a result of delays caused by matters outside of Landlord's control, including, without limitation, Tenant's conduct, acts of God, acts of war, inclement weather and/or labor strikes (including strikes affecting the supply of labor and/or materials).

3.3. OPTION TO EXTEND TERM. See addendum.

4. RENT.

4.1. BASE MONTHLY RENT. Beginning on the commencement date, Tenant shall pay to Landlord as rent for the Premises in advance on the first day of each calendar month of the term, without deduction, offset, prior notice or demand, except as provided herein, in lawful money of the United States of America, the per square foot rental rate set forth in paragraph 1.3 multiplied by the square footage of the Premises as adjusted pursuant to paragraph 2.1. If the actual square footage of the Premises is determined to be other than the unadjusted amount set forth in Paragraph 2.1, the monthly base rent shall be increased or decreased based upon the actual floor area and the adjustment thereto set forth in Paragraph 2.1. If Tenant makes any alterations or additions that increase the square footage of the Premises, the monthly rent shall be increased in proportion to the resulting increase in floor area. If the date that the obligation to pay monthly rent commences is not the first day of a calendar month, such installment shall be applied on a per diem basis against payment of the rent from the date rent commences until the first day of the next succeeding calendar month. Any unused portion of said amount shall be applied against payment of the rent for the following calendar month, and the balance of the rent for that month shall be due on the first day thereof.

4.2. BASE RENT ADJUSTMENT. See Paragraph 1.3.

4.3. MODE OF PAYMENT. Tenant shall pay all rent due Landlord at Landlord's address set forth on the signature page hereof, or any such other place or places as Landlord may designate from time to time in writing.

4.4. ADDITIONAL RENT. Landlord shall receive the rent set forth herein free and clear of any and all other impositions, taxes, charges, assessments or expenses of any nature whatsoever associated with the operation, maintenance, and management of the Premises, the property and the land on which it is situated, including, without limitation, charges levied by any

assessment district now in existence or hereafter created which affects the property, except as provided herein. The foregoing expenses and charges may hereinafter be referred to singly and/or collectively as "Operating Expenses" (Operating Expenses are defined as maintenance, taxes, insurance, management, security and services as delineated in Section 1.5). tenant's pro rata portion of all such charges, costs and expenses, together with all other sums payable under this Lease, shall be additional rental hereunder, and Tenant's failure to pay any such charge, cost, expense or sum shall entitle Landlord to exercise the rights and remedies as provided in this Lease for failure of Tenant to pay rent. Notwithstanding anything herein to the contrary, Tenant shall not have any obligation to pay Operating Expenses during the initial year of the Lease term which exceed $38,227/year (40 cents per square foot/month), and for each successive year, Tenant's pro-rata share of Operating Expenses shall not increase by more than five percent per year. Tenant shall in no event be entitled to any abatement or reduction of rent or other monetary sums payable hereunder, except as expressly provided herein, notwithstanding any present or future law to the contrary. Tenant expressly waives the provisions of any such law.

4.5. ESTIMATED PAYMENTS. Estimated payments for taxes, insurance, maintenance of common areas, management of the property and common area utilities and services are set forth in Paragraph 1.5. Tenant shall pay the estimated payments together with the monthly rent in advance on the first day of each calendar month of the term, without deduction, offset, prior notice or demand, except as provided herein. Landlord may increase or decrease the estimated payments upon 30 days' written notice to Tenant based upon statements received or charges incurred by Landlord, information available to Landlord as to the probable cost of expected charges and expenses, or Landlord's reasonable estimate of the probable amount of expected charges or expenses. In the event that any taxes payable in respect of the property are levied or assessed against the property and other property, or in the event that any property insurance carried by Landlord is carried under a policy or policies covering the property and other properties, the amounts payable by Tenant hereunder in respect of such taxes or such insurance shall be determined by reference to allocations or any such taxes and any such insurance to the property reasonably made by Landlord. Landlord shall be entitled to retain the monies received from such payments in a fund pending payment of all such costs and charges. No more frequently than once each calendar quarter, Landlord shall determine the actual costs of operation and maintenance of the property. Tenant shall remit to Landlord on demand its unpaid pro rata share of the actual expense. In the event Tenant paid more than its pro rata share of the actual expenses for such period of time, Landlord shall apply such overpayment towards the next estimated payments owing by Tenant. At the termination of this Lease, an accounting for such charges and expenses shall be made to the nearest practical accounting period, and Tenant shall pay to Landlord any balance due or shall be entitled to a prompt refund of any excess amount paid. Landlord shall furnish to Tenant, within sixty (60) days after the end of each calendar year, a statement in reasonable detail, including supportive documentation, setting forth (a) Landlord's actual costs of operation and maintenance with respect to the property (including taxes and insurance) for that year by category and amount; (b) the amount of Tenant's additional rent for that year; and (c) the sum of Tenant's monthly estimated rent payments made during that year.

Tenant shall have the right to audit Landlord's records respecting for each calendar year during the term of this Lease by notifying Landlord within 120 days following the end of each such calendar year. If an audit (performed by a certified public accountant on behalf of Tenant) reveals that Landlord has overcharged Tenant for Operating Expenses, Landlord shall refund the

amount overcharged within ten days after such determination has been made. If Landlord has overcharged Tenant by more than 5%, Landlord shall refund the overcharge amount and, in addition, shall pay the reasonable costs of Tenant's audit.

4.6. SECURITY DEPOSIT.

4.7. LATE CHARGES. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, without limitation, processing, accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Property. Accordingly, if any installment of Base Monthly Rent or any other sum due from Tenant shall not be received by Landlord within five business Days after the amount is due, Tenant shall pay to Landlord a late charge equal to 5% of the overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of Tenant's late payment. Landlord's acceptance of a late charge shall not constitute a waiver of Tenant's default respecting the overdue amount or prevent Landlord from exercising any of the remedies available hereunder.

5. TAXES.

5.1. TAXES ON THE PREMISES AND THE PROPERTY. Tenant agrees to pay to Landlord in addition to the rent and other charges herein, its pro rata share of all taxes pursuant to Paragraph 4.4. As used herein TAXES shall include, without limitation, the following: (a) all real estate and personal property taxes, assessments, rates and charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever, including, but not limited to, assessment for public improvements or benefits, which relate to any period falling in whole or in part within the term and which are assessed, levied, confirmed, imposed or become a lien upon or payable in respect to the Premises or the property or any building or other improvements thereon and any taxes on personal property owned by Landlord and used in conjunction with the operation of the property, and (b) any tax or excise on rents or other tax howsoever described, unforeseen as well as foreseen, at any time imposed under the laws of any governmental authority which relates to any period failing in whole or in part within the term and which is levied or assessed directly or indirectly against Landlord or on the rental and charges payable under leases for portions of the property or on any arrangement relating thereto, wholly or partly in the place of, or in lieu of an increase in, or in addition to, taxes assessed or imposed by such authority on land and improvements, including, without limiting the generality of the foregoing, any gross receipts tax to the extent imposed upon a landlord by reason of the receipt of rental, charges or other income from the Premises or the property. Tenant's share of taxes shall be equitably prorated to cover only the period of time within the fiscal tax year during which this Lease is in effect. With respect to any assessments which may be levied against or upon the Premises, and which may be paid in annual installments, only the amount of such annual installments (with appropriate proration for any partial year) and interest due thereon shall be included within the computation of the annual taxes.

Notwithstanding anything herein to the contrary,

(a) Landlord shall be solely responsible for any increases in "taxes" and/or assessments that result from "new construction" or a "change of ownership of the Building or the property (and for purposes hereof, "new construction" or a "change of ownership" shall have the same meaning as in part 0.5 of division 1 of the California Revenue and Taxation Code or any amendments or successor statutes to those sections);

(b) Tenant's obligation to pay any assessments included within "taxes" shall be calculated on the basis of the amount due if Landlord had allowed assessment to go to bond and the same were to be paid over the longest period available; and

(c) Tenant shall be required to pay any tax based on (1) gross or net rents, (2) the square footage of the Premises or the property, (3) this transaction (or any document relating thereto), (4) the occupancy of Tenant, or (5) any other tax, fee, or excise, however described, including, without limitation, a so called "value added tax" as a direct substitution in whole or part for, or in addition to, any real property tax, only to the extent that any such tax is in substitution of any real property tax it would otherwise be obligated to pay.

5.2. TAXES ON TENANT'S PROPERTY. Tenant shall pay before delinquency all taxes levied or assessed on Tenant's fixtures, improvements, furnishings, merchandise, equipment and personal property in and on the Premises, whether or not affixed to the real property. If at any time after any tax or assessment has become due or payable, Tenant or its legal representative neglects to pay such tax or assessment, and is not contesting such tax or assessment, Landlord shall be entitled, but not obligated, to pay the same at any time thereafter and such amount so paid by Landlord shall be repaid by Tenant to Landlord with Tenant's next rent installment. Tenant shall timely pay all taxes imposed by local, state, and federal law upon Tenant. Notwithstanding the foregoing, Tenant shall have the right to contest personal property taxes assessed against Tenant.

6. INSURANCE.

6.1. PROPERTY/RENTAL INSURANCE -- PROPERTY AND PREMISES. During the term Landlord shall keep the property insured against loss or damage by fire and those risks normally included in the term "special perils" including (a) flood coverage, (b) earthquake coverage at the election of Landlord if available at commercially reasonable rates, (c) coverage for loss of rents including Operating Expenses and (d) boiler and machinery coverage if Landlord deems necessary. All such insurance shall be solely for Landlord's benefit and Tenant shall have no rights respecting any such policy or sums paid pursuant to the terms of such policies. The amount of such insurance shall be not less than 100% of the replacement value of the property. Any recovery received from said insurance policy shall be paid to Landlord. Tenant, in addition to the rent and other charges provided herein, agrees to pay to Landlord its pro rata share of the premiums for all such insurance pursuant to Paragraph 4.4 of this Lease. Tenant shall pay to Landlord Tenant's pro rata share of any deductible within 15 days after Landlord sends Tenant an invoice for the amount owing.

6.2. PROPERTY INSURANCE -- FIXTURES AND INVENTORY. During the term, Tenant shall, at its sole expense, maintain insurance with "special perils" coverage on any and all fixtures, leasehold improvements installed hereafter, furnishings, merchandise, equipment or

personal property in or on the Premises, whether in place as of the date hereof or installed hereafter, for the full replacement value thereof, and Tenant shall also have sole responsibility and cost for maintaining any other types of insurance deemed necessary, appropriate or desirable by Tenant. Any and all deductibles shall be paid by Tenant.

6.3. LANDLORD'S LIABILITY INSURANCE. During the term, as an expense of the property, Landlord shall maintain a policy or policies of commercial general liability insurance insuring Landlord and naming Tenant as additional insured (and such others as designated by Landlord) against liability for bodily injury, death and property damage on or about the property, with combined single limit coverage of not less than $10 million.

Tenant shall pay its pro rata share of the premium for such insurance pursuant to Paragraph 4.4.

6.4. TENANT'S LIABILITY INSURANCE. Tenant shall, at its sole expense, maintain for the mutual benefit of Landlord and Tenant, commercial general liability and property damage insurance against claims for bodily injury, death or property damage occurring in or about the Premises or arising out of the use or occupancy of the Premises, with combined single limit coverage of not less than $2 million. Such insurance shall include, so-called host liquor liability coverage from liability arising from the consumption of alcoholic beverages consumed at the Premises. Tenant shall furnish to landlord prior to the Commencement Date, and at least 30 days prior to the expiration date of any policy, certificates indicating that the liability insurance required of Tenant is in full force and effect, that Landlord has been named as an additional insured, and that no such policy will be canceled unless 30 days' prior written notice of cancellation has been given to Landlord. Said policies shall provide that Landlord, as an additional insured, may recover for any covered loss suffered by Landlord by reason of Tenant's negligence, and shall include a broad form liability endorsement. All insurance policies obtained by Tenant pursuant to the requirement of this Lease shall be in a form and from a company reasonably satisfactory to Landlord.

6.5. WAIVER OF SUBROGATION. Landlord hereby releases Tenant and its officers, agents, employees, and servants, and Tenant hereby releases Landlord and its officers, agents, employees and servants, from any and all claims or demands of damages, loss, expense or injury to the Premises, or to the furnishings and fixtures and equipment or inventory or other property of either Landlord or Tenant in, about or upon the Premises, which is caused by, or results from, or is incident to any perils, events or happenings which are the subject of insurance which is carried or is required to be carried by the respective parties and in force at the time of any such loss, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors or invitees. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy.

6.6. INDEMNIFICATION. Except in the case of intentional misconduct by Landlord or Landlord's reckless disregard of its duties or the negligence of Landlord, its employees, agents or contractors, Tenant will indemnify Landlord and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Premises, or the occupancy or use by Tenant of the Premises or the property or any part

thereof, or occasioned wholly or in part by any acts or omissions of Tenant, its agents, contractors, employees, servants, licensees or concessionaires in or about the Premises or by anyone permitted to be on the Premises by Tenant. In case Landlord shall be made a party to any such litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless from all claims, liabilities, costs and expenses, and shall pay all costs, expenses and reasonable legal fees incurred by Landlord in connection with such litigation.

6.7. PLATE GLASS REPLACEMENT. If any glass in and about the Premises is damaged or broken by or as a result of the acts of Tenant and its agents, contractors and employees, Tenant shall pay Landlord's cost of replacement, provided that such amount shall not exceed the deductible then in effect on Landlord's insurance policy, if any, covering the damaged glass. Nothing herein shall be construed to require Landlord or Tenant to carry plate glass insurance.

6.8. WORKER'S COMPENSATION INSURANCE. Tenant shall, at its sole expense, maintain and keep in force during the term a policy or policies of workman's compensation insurance and any other employee benefit insurance sufficient to comply with all applicable laws, statutes, ordinances and governmental rules, regulations or requirements.

7. PREMISES & PROPERTY MAINTENANCE & REPAIR.

7.1. PREMISES. Throughout the term, Tenant agrees to keep and maintain all improvements and appurtenances upon the Premises, including all plumbing, heating and cooling appliances, wiring and glass, in good order and repair including the replacement of such improvement and appurtenances when necessary provided that Tenant's obligation respecting plumbing, electrical and HVAC systems shall only require Tenant to keep and maintain the exposed portions of such equipment and systems. Landlord shall keep and maintain the unexposed portions of such systems, except to the extent such repair or maintenance arises from Tenant's negligence or willful misconduct. Tenant hereby expressly waives the provisions of any law permitting repairs by a tenant at the expense of a landlord, including, without limitation, all rights of Tenant under California Civil Code Sections 1941 through 1946, inclusive. Tenant agrees to keep the Premises clean and in sanitary condition. Tenant further agrees to keep the interior of the Premises, including, without limitation, the windows, floors, walls, doors, showcases and fixtures clean and neat in appearance and to remove all trash and debris which may be found in or around the Premises. If Landlord reasonably deems any repairs and/or maintenance to be made by Tenant necessary and Tenant refuses or neglects to commence such repairs and/or maintenance and complete the same with reasonable dispatch upon demand, Landlord and its agents may enter the Premises and cause such repairs and/or maintenance to be made and shall not be responsible to Tenant for any loss or damage occasioned thereby. Tenant agrees that, upon demand, it shall pay to Landlord the cost of any such repairs, together with accrued interest from the date of Landlord's payment at the highest rate allowable by law. Notwithstanding anything to the contrary above, Landlord may elect to enter into commercially reasonable maintenance contracts for the provision of all or a part of Tenant's maintenance obligations as set forth in this paragraph. Upon such election, Tenant shall be relieved from its obligations to perform only those maintenance obligations covered by the maintenance contract and only for the duration of the maintenance contract, Tenant shall bear the cost of such

maintenance contract (allocate able to the tenant), in accordance with paragraph 4.4 above, which shall be paid in advance on a monthly basis with Tenant's monthly rent payments.

7.2. COMMON AREAS. Subject to Tenant's obligations in paragraph 7.1, Landlord shall keep and maintain the common areas of the property (which shall include, without limitation, the foundation, roof, parking, landscaping, HVAC, electrical, plumbing, exterior walls and structural components of the improvements on the property) in reasonably good order and condition, except that damage occasioned by the negligent acts of Tenant (inclusive of Tenant's employees, agents, guests and invitees) shall be repaired by Landlord at Tenant's sole expense. Tenant shall have the obligation to notify Landlord, in writing, of any repairs or maintenance to the common areas which may be necessary, and Landlord shall make necessary repairs within a reasonable time. The manner and method of maintenance and repair of the common areas shall be at Landlord's sole and absolute discretion. Except in the event that replacement of HVAC components, structural components or the roof is due to the negligent acts of Tenant (inclusive of Tenant's employees, agents, guests and invitees), Tenant shall not be obligated to pay a pro rata portion of the cost of replacement of any of said components and Tenant's obligation for reimbursement shall be limited to maintenance expenses associated with such components in place in the property. Tenant, in addition to the rent and other charges provided herein, agrees to pay to Landlord its pro rata share of costs of maintaining the common areas pursuant to Paragraph 4.4.

7.3. ALTERATIONS, CHANGES AND ADDITIONS BY TENANT. Tenant shall make no changes, alteration, or additions ("Alterations") to any portion of the Property without Landlord's prior written consent which shall not be unreasonably withheld. As a condition to consent, Landlord may require that each Alteration be under the supervision of a competent architect or competent licensed structural engineer and made in accordance with plans and specifications furnished to and approved by Landlord prior to the commencement of work, that Tenant remove such Alterations at the expiration of the Term and restore the Premises and Property to their condition prior to the Alteration. As a further condition to consent, Landlord may require Tenant to provide Landlord, at Tenant's sole expense, with a lien and completion bond in an amount equal to 125% of the estimated cost of the Alteration to insure Landlord against any liability for mechanic's and materialman's liens and to ensure completion of the Alteration. In the event that any Alteration increases the floor area of the Premises, the Base Monthly Rent and Tenant's Pro Rata Share shall be proportionately increased. Tenant shall provide 14 days' written notice to Landlord of the date on which construction of each Alteration will commence in order to permit Landlord to post a notice of nonresponsibility if appropriate, given the nature and scope of the Alteration. Each Alteration shall be constructed in a good and workmanlike manner in accordance with all Regulations relating to such construction. Every Alteration shall remain for the benefit of and become the property of Landlord, unless Landlord requires its removal by giving Tenant written notice at least 30 Days before the date Tenant is to vacate the Premises, in which case, Tenant shall remove the Alteration(s) and restore the Premises to their pre-Alteration condition. Notwithstanding the above contents of paragraph 7.3, Tenant shall not be obligated to obtain Landlord's consent to any Alterations the cost of which is less than $25,000 in each instance, provided such Alteration does not affect the structural integrity of the Building, or the functional integrity of the utility systems, and is not visible from the exterior of the Premises.

7.4. USE OF PLUMBING, ELECTRICAL AND HVAC SYSTEMS. Tenant shall not use the plumbing facilities for any purpose other than the use specified in paragraph 1.7. The expense of repair of any breakage, stoppage or other damage relating to the plumbing and resulting from the introduction by Tenant, its agents, employees or invitees of foreign substances into the plumbing facilities shall be borne by Tenant. Tenant shall not use the electrical or heating and air-conditioning ("HVAC") systems for any purpose other than the use specified in paragraph 1.7. The expense of repair of any breakage or other damage resulting to the electrical and/or HVAC systems resulting from the use by Tenant, its agents, employees or invitees of those systems for any purpose other than that for which the uses specified in Section 1.7 shall be borne by Tenant.

7.5. LIENS. Tenant shall keep the Premises and the property free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant and shall indemnify, hold harmless and defend Landlord from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of Tenant. In the event that Tenant shall not, within 20 days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses by Landlord in connection therewith, including attorney's fees and costs, shall be payable to Landlord by Tenant on demand with interest from the date paid by Landlord to the date of Tenant's reimbursement to Landlord at the highest rate allowable by law. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord and the property and any other party having an interest therein, from mechanic's and materialmen's liens, and Tenant shall give to Landlord at least 14 days prior written notice of the expected date of commencement of any work relating to alterations or additions to the Premises.

8. MANAGEMENT. Tenant, as part of the Operating Expenses, will pay no more than 5% of its Base Rent as the management fee. Tenant understands that the Wareham Property Group, Inc., an affiliate of Landlord, or another affiliated or unaffiliated third party will be responsible for the management of the property.

9. UTILITIES AND SERVICES.

9.1. PREMISES. Landlord shall make water, sewer, telephone and utility service available to the property. Tenant shall pay prior to delinquency throughout the term the cost of water, gas, heating, cooling, sewer, telephone, electricity, garbage, air-conditioning and ventilating, janitorial services, landscaping and all other materials and utilities supplied directly to the Premises. If any such services are not separately metered to Tenant, Tenant shall pay a reasonable proportion of all charges which are jointly metered, the determination to be made by Landlord in good faith, and payment to be made by Tenant within 30 days of receipt of the statement for such charges.

9.2. COMMON AREAS. Landlord shall provide utilities, first class landscaping, janitorial, lighting for the common areas and, if Landlord deems it necessary or appropriate,

security services for the common areas of the property. Tenant shall bear its pro rata share of the costs to Landlord in providing such services pursuant to Paragraph 4.4. Security services may, in the Landlord's discretion, include hiring of guards during hours determined by Landlord or requested by Tenant at Tenant's expense. Tenant shall have the right of access to such portions of the property outside the Premises as are necessary to enable Tenant to exercise its rights under this Lease.

9.3. LIMITATION OF LIABILITY. Landlord shall not be in default under the provisions of this Lease or be liable for any damages directly or indirectly resulting from the following conditions: (1) the interruption of use of any equipment in connection with the furnishing of any of the foregoing services; (2) failure to furnish or delay in furnishing any such services where such failure or delay is caused by accident or any condition or event beyond Landlord's reasonable control; (3) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the Premises, to the extent such interruption or failure or limitation is beyond Landlord's reasonable control. Landlord shall not be liable under any circumstances for a loss of or injury to property or business, however occurring, through or in connection with or incidental to failure to furnish any such services, except as to any matters arising out of Landlord's negligence or willful misconduct, or that of its employees, agents, contractors, or invitees. Tenant shall not connect any apparatus with electric current except through existing electrical outlets in the Premises.

10. USE OF PREMISES.

10.1. USE. The Premises shall be used and occupied by Tenant for only the purpose specified in Paragraph 1.7 and for no other purposes whatsoever without Landlord's consent which shall not be unreasonably withheld.

10.2. SUITABILITY. This Lease shall be subject to all applicable zoning ordinances and to all municipal, county and state laws and regulations governing and regulating the use of the Premises. Tenant has not entered into this Lease in reliance upon any representation or warranty of Landlord or any of its agents or employees as to the suitability of the Premises for the conduct of Tenant's business. Tenant has made its own analysis respecting the suitability of the Premises for Tenant's intended use.

10.3. USES PROHIBITED.

10.3.1. RATE OF INSURANCE. Tenant shall not do or permit anything to be done in or about the Premises which will cause the existing rate of insurance upon the Premises to increase or cause the cancellation of any insurance policy covering said Premises or any building of which the Premises may be a part, nor shall Tenant sell or permit to be kept, used or sold in or about such Premises any articles which may be prohibited by a standard form policy of fire insurance. Tenant shall pay to Landlord as additional rent hereunder the full amount of any increased premium resulting from Tenant's use of the Premises.

10.3.2. INTERFERENCE WITH OTHER TENANTS. Tenant shall not do or permit anything to be done in or about the Premises which will in any way materially obstruct or unreasonably interfere with the rights of other tenants or occupants of the property or injure or

unreasonably annoy them, neither shall Tenant use or allow the Premises to be used for any unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in or about the Premises. Tenant shall not commit or suffer to be committed any illegal waste in or upon the Premises.

10.3.3. APPLICABLE LAWS. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way violate or conflict with any law, statute, zoning restriction, ordinance, governmental rule, regulation or requirement of duly constituted public authorities whether now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, properly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to Tenant's use or occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant. Landlord warrants to Tenant that on the commencement of the term hereof, the Premises and any improvements to be constructed by Landlord (a) shall be free from material structural defects, (b) shall comply with all applicable covenants and restrictions of records, statutes, ordinances, codes, rules, regulations, orders, and requirements, including but not limited to the Americans with Disabilities Act, and (c) the Building's elevators, doors, roof, plumbing, electrical and HVAC systems are in good order and condition and operating properly. In the event of a breach of the foregoing warranties, Landlord shall promptly rectify such breach at its sole cost and expense.

(Landlord also shall protect, indemnify, defend, and hold harmless from and against any and all liability, loss, suits, claims, actions, costs, and expense (including, without limitation, reasonable attorney's fees) arising from any breach of the foregoing warranties. The provisions of this paragraph shall survive the termination of this Lease.)

10.3.4. SIGNS. Without Landlord's consent which shall not be unreasonably withheld, Tenant shall not place any sign upon the Premises or the property. Landlord shall, to the extent allowed by applicable law and regulations, as an expense of the property, install and maintain directory and entry door signs identifying Tenant and Tenant's space. The directory signs shall be constructed to Landlord's specifications and shall comply with applicable regulations. Landlord agrees to install a monument sign at the Potter Street entrance to the Property which will include Tenant's name and logo.

10.3.5. AUCTIONS. Tenant shall not conduct or allow any auction or similar sale upon the Premises.

11. DEFAULTS AND REMEDIES.

11.1. DEFAULT OF TENANT. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant: (a) Tenant's failure to pay any rent or charges required to be paid by Tenant under this Lease, except as otherwise provided herein, where such failure continues for five (5) business days after notice from Landlord; (b)

Tenant's abandonment of the demised Premises; (c) Tenant's failure to promptly and fully perform any other covenant, condition or agreement contained in this Lease where such failure continues for 30 days after written notice from Landlord to Tenant of such default provided that if the nature of the default is such that more than 30 days are reasonably required to cure such default, Tenant shall not be deemed to be in default if within such 30 day period it commences to cure and diligently prosecutes such cure to completion; (d) the levy of a writ of attachment or execution on this Lease or on any of Tenant's property located in the Premises; (e) the making by Tenant of a general assignment for the benefit of its creditors or of an arrangement, composition, extension or adjustment with its creditors, the filing by or against Tenant of a petition for relief or other proceeding under the federal bankruptcy laws or state or other insolvency laws, or the assumption by any court or administrative agency, or by a receiver, trustee or custodian appointed by either, of jurisdiction, custody or control of the Premises or of Tenant or any substantial part of its assets or property; or (f) if the interest of Tenant under this Lease is held by a partnership or by more than one person or entity, the occurrence of any act or event described in part (e) above in respect of any partner of the partnership or any person or entity holding an interest in Tenant of 25% or more. In the event a nonmonetary default occurs which cannot reasonably be cured within the time period specified above and Tenant commences corrective action within said time period, Tenant shall not be subject to penalty under this Lease so long as Tenant prosecutes such corrective action diligently and continuously to completion.

11.2. REMEDIES OF LANDLORD. In the event of Tenant's default hereunder, then in addition to any other rights or remedies Landlord may have under this Lease or under law, Landlord may elect either of the remedies set forth in Paragraphs 11.2.1 and 11.2.2. Notwithstanding any other provision of this lease, the Lessor has the remedy described in California Civil Code Section 1951.4 (lessor (Landlord) may continue lease in effect after lessee's (Tenant's) breach and abandonment and recover rent as it becomes due, if lessee (Tenant) has the right to sublet or assign, subject only to reasonable limitations). For purposes of this Paragraph 11 (inclusive of all sub parts of said paragraph), the "worth at the time of award" of the amounts referred to in parts 11.2.1(i) and 11.2.2(ii) shall be computed by allowing interest at the highest rate allowable by law, and the "worth at time of award" of the amount referred to in part 11.2.1(iii) shall be computed by discounting such amount at the rate specified in California Civil Code Section 1951.2(b) or any successor statute. In such computations, the rent due hereunder shall include monthly rent plus the aggregate amount of all other rentals, charges and other amounts payable by Tenant hereunder.

11.2.1. To immediately terminate this Lease and Tenant's right to possession of the Premises by giving written notice to Tenant and to recover from Tenant an award of damages equal to the sum of (i) the "worth at the time of award" of the unpaid rental which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, (iii) the "worth at the time of award" of the amount by which the unpaid rental for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, (iv) any other amount necessary to compensate Landlord for all the detriment either proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result

therefrom, and (v) all such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law; or

11.2.2. To have this Lease continue in effect up to its ending under Paragraph 1.2 for so long as Landlord does not terminate this Lease and Tenant's right to possession of the Premises, in which event Landlord shall have the right to enforce all of the rights and remedies provided by this Lease and by law, including the right to recover the rental and other charges payable by Tenant under this Lease as they become due.

11.3. DEFAULT BY LANDLORD. Landlord will be in default if Landlord fails to perform any obligation required of Landlord within 30 days after written notice by Tenant, specifying wherein Landlord has failed to perform such obligation; provided that if the nature of Landlord's obligation is such that more than 30 days are required for performance, then Landlord shall not be in default if Landlord commences performance within such 30 day period and thereafter diligently prosecutes the same to completion. Tenant agrees that any judgment against Landlord resulting from any default or other claim arising under this Lease shall be satisfied only out of the rents, issues, profits and other income actually received on account of Landlord's right, title and interest in the property, and no other real, personal or mixed property of Landlord or any partner of Landlord, wherever situated, shall be subject to levy to satisfy such judgment. Tenant shall not have any right whatsoever to terminate this Lease or to withhold, reduce or offset any amount against any payments of rents or charges due and payable under this Lease, except as provided herein.

12. EXPIRATION OR TERMINATION.

12.1. SURRENDER OF POSSESSION. Tenant agrees to deliver up and surrender to Landlord possession of the Premises and all improvements thereon, subject to the terms of Paragraph 7.3 above, in as good order and condition as when possession was taken by Tenant excepting only ordinary wear and tear and damage due to casualty or condemnation. Upon termination of this Lease, Landlord may reenter the Premises and remove all persons and property therefrom. If Tenant fails to remove any effects that it is required or entitled to remove from the Premises upon the termination of this Lease, for any cause whatsoever, Landlord, at its option, may remove the same and store or dispose of them. Tenant agrees to pay to Landlord on demand any and all expenses incurred in such removal and in making the Premises free from all dirt, litter, debris and obstruction, including all storage and insurance charges. If the Premises are not surrendered at the end of the term, Tenant shall indemnify Landlord against loss or liability of resulting from delay by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding lessee founded upon such delay.

12.2. HOLDING OVER. If Tenant, with Landlord's consent, remains in possession of the Premises after expiration of the term and if Landlord and Tenant have not executed an express written agreement as to such holding over, then such occupancy shall be a tenancy from month to month at a base monthly rental equivalent to 110% of the monthly rental in effect immediately prior to such expiration, such payment to be made as herein provided. In the event of such holding over, all of the terms of this Lease including the obligation for payment of all charges owing hereunder shall remain in force and effect on said month to month basis.

12.3. VOLUNTARY SURRENDER. The voluntary or other surrender of this Lease by Tenant if accepted by Landlord, or a mutual cancellation thereof, shall not work a merger, but shall, at the option of Landlord, terminate all or any existing subleases or subtenancies, or operate as an assignment to Landlord of any or all such subleases or subtenancies.

13. CONDEMNATION OF PREMISES.

13.1. TOTAL CONDEMNATION. If the entire Premises, whether by exercise of governmental power or the sale or transfer by Landlord to any condemnor under threat of condemnation or while proceedings for condemnation are pending, at any time during the term, shall be taken by condemnation such that there does not remain a portion suitable for occupation, this Lease shall then terminate as of the date transfer of possession is required. Upon such condemnation, all rent shall be paid up to the date transfer of possession is required, and Tenant shall have no claim against Landlord for the value of the unexpired term of this Lease.

13.2. PARTIAL CONDEMNATION. If any portion of the Premises is taken by condemnation during the term, whether by exercise of governmental power or the sale or transfer by Landlord to any condemnor under threat of condemnation or while proceedings for condemnation are pending, this Lease shall remain in full force and effect; except that in the event a partial taking leaves the Premises unsuitable for occupation, then Tenant shall have the right to terminate this Lease effective upon the date transfer of possession is required unless Landlord makes other comparable arrangements for Tenant's space. Landlord shall have the right to terminate this Lease effective on the date transfer of possession is required if more than 33% of the total square footage of the Premises allocated to Tenant is taken by condemnation. Tenant and Landlord may elect to exercise their respective rights to terminate this Lease pursuant to this paragraph by serving written notice to the other within 30 calendar days of their receipt of notice of condemnation, except that Tenant's notice shall be ineffective if Landlord serves notice upon Tenant of Landlord's election to provide alternate space equivalent to that condemned within ten calendar days of Tenant's delivery of notice to Landlord pursuant to this paragraph. All rent and other obligations of Tenant under this Lease shall be paid up to the date of termination, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If this Lease shall not be canceled, the rent after such partial taking shall be that percentage of the adjusted base rent provided for by this Lease, equal to the percentage which the square footage of the untaken part of the Premises immediately after the taking plus such replacement square footage as Landlord may make available to Tenant bears to the square footage of the entire Premises immediately before the taking. Any sums owing hereunder which are calculated on the basis of Tenant's pro rata share (as set forth in paragraph 1.4) shall also be adjusted to reflect any decrease in square footage of the Premises due to the condemnation. If Tenant's continued use of the Premises requires alterations and repairs by reason of a partial taking, all such alterations and repairs shall be made by Tenant at Tenant's expense.

13.3. AWARD TO TENANT. In the event of any condemnation, whether total or partial, Tenant shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Tenant for loss of business, fixtures or equipment belonging to Tenant immediately prior to the condemnation. The balance of any condemnation award shall belong to Landlord, and Tenant shall have no further right to

recover from Landlord or the condemning authority for any additional claims arising out of such taking.

13.4. WAIVER OF PARTIAL TERMINATION RIGHTS. Tenant hereby waives the provisions of California Code of Civil Procedure Section 1265.130.

14. ENTRY BY LANDLORD. Tenant shall permit Landlord and its agents to enter the Premises at all reasonable times for any of the following purposes: to inspect the Premises; to maintain the property; to make such repairs to the Premises as Landlord is obligated or may elect to make; to make repairs, alterations or additions to any other portion of the property; to show the Premises and post "To Lease" signs for the purposes of reletting during the last 120 days of the term or any optional extension term; to show the Premises as part of a prospective sale by Landlord and/or to post notices of nonresponsibility. Landlord shall have such right of entry without any rebate of rent to Tenant for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned. Notwithstanding the foregoing, Landlord shall provide 24 hours advance notice to Tenant of such intended entry except in the event of circumstances which Landlord deems to constitute an emergency. When entering or performing any repair or other work on the Premises, Landlord, its agents, employees and/or contractors (a) shall identify themselves to Tenant's personnel immediately upon entering the Premises, and (b) shall not, in any way, materially or unreasonably affect, interrupt or interfere with Tenant's use, business or operations on the Premises or obstruct the visibility of or access to the Premises.

15. LIABILITY LIMITATION AND INDEMNIFICATION.

The provisions of this section 15 supersede every other provision of this Lease to the extent that they are inconsistent with such other provisions.

15.1. LIMITATION OF LANDLORD'S LIABILITY. TENANT SHALL NOT HOLD LANDLORD LIABLE FOR ANY AMOUNT IN EXCESS OF INSURANCE COVERAGE MAINTAINED BY LANDLORD PURSUANT TO PARAGRAPH 6.3 OF THIS LEASE ("EXISTING COVERAGE") WITH RESPECT TO ANY INJURY OR DAMAGE, EITHER PROXIMATE OR REMOTE, OCCURRING THROUGH OR CAUSED BY ANY REPAIRS OR ALTERATIONS TO THE PROPERTY, UNLESS SUCH INJURY OR DAMAGE ARISES FROM LANDLORD'S NEGLIGENCE, WILLFUL MISCONDUCT, RECKLESS DISREGARD OF LANDLORD'S DUTIES OR BREACH OF THIS LEASE. LANDLORD SHALL NOT BE LIABLE IN EXCESS OF EXISTING COVERAGE FOR ANY INJURY OR DAMAGE OCCASIONED BY DEFECTIVE ELECTRIC WIRING, OR THE BREAKING, BURSTING, STOPPAGE OR LEAKING OF ANY PART OF THE PLUMBING, AIR-CONDITIONING, HEATING, FIRE CONTROL SPRINKLER SYSTEMS OR GAS, SEWER OR STEAM PIPES, UNLESS SUCH INJURY OR DAMAGE ARISES FROM LANDLORD'S NEGLIGENCE, WILLFUL MISCONDUCT OR RECKLESS DISREGARD OF LANDLORD'S DUTIES OR BREACH OF THIS LEASE.

15.2. LIMITATION ON ENFORCEMENT OF JUDGMENTS. NOTWITHSTANDING ANY OTHER PROVISION OF THIS LEASE, TENANT AND ITS AGENTS SHALL, UNDER ALL CIRCUMSTANCES, BE ABSOLUTELY LIMITED TO LANDLORD'S ESTATE IN THE PROPERTY FOR SATISFACTION OF TENANT AND ITS AGENTS' REMEDIES, AND/OR FOR THE COLLECTION OF A JUDGMENT, COURT ORDER OR ARBITRATION AWARD REQUIRING THE PAYMENT OF MONEY BY LANDLORD AS THE RESULT OF ANY AND ALL JUDGMENTS, ORDERS AND AWARDS RELATING TO OR ARISING OUT OF TENANT AND ITS AGENTS' OCCUPANCY AND USE OF THE PROPERTY AND/OR IN THE EVENT OF ANY DEFAULT BY LANDLORD HEREUNDER. NO OTHER PROPERTY OR ASSETS OF LANDLORD OR ITS PARTNERS OR PRINCIPALS, DISCLOSED OR UNDISCLOSED, SHALL BE SUBJECT TO LEVY, EXECUTION OR OTHER ENFORCEMENT PROCEDURE FOR THE SATISFACTION OF TENANT AND ITS

AGENTS' REMEDIES UNDER OR WITH RESPECT TO THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT HEREUNDER, OR THE USE AND OCCUPANCY OF THE PROPERTY AND THE PREMISES BY TENANT AND ITS AGENTS. TENANT, ON BEHALF OF ITSELF AND ITS AGENTS, EXPRESSLY WAIVES ANY AND ALL RIGHT TO COLLECT OR ENFORCE ANY AND ALL ORDERS, AWARDS AND/OR JUDGMENTS AGAINST LANDLORD IN EXCESS OF THE LIMITATIONS IMPOSED BY THIS PARAGRAPH. TENANT SHALL REQUIRE THAT EACH SUBTENANT OF TENANT AND EACH ASSIGNEE OF TENANT AGREE TO BE BOUND BY THE WAIVER SET FORTH IN THIS PARAGRAPH. THE LANDLORD'S MAXIMUM EXPOSURE AS SET FORTH IN THIS PARAGRAPH IS CUMULATIVE (AS TO JUDGMENTS, AWARDS AND ORDERS AGAINST LANDLORD IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT HEREUNDER, OR THE USE AND OCCUPANCY OF THE PROPERTY BY TENANT AND ITS AGENTS). THE LIMITS IMPOSED BY THIS PARAGRAPH ALSO APPLY TO ANY AND ALL DUTIES OF INDEMNITY (EXPRESS AND/OR IMPLIED) OWED BY LANDLORD TO TENANT. AS USED IN THIS PARAGRAPH, REFERENCES TO "LANDLORD" INCLUDE ALL PERSONS AND ENTITIES WHO NOW OR HEREAFTER OWN OR MAY OWN AN INTEREST IN LANDLORD.

16. ASSIGNMENT AND SUBLETTING.

16.1. GENERALLY. Tenant shall not directly or indirectly assign this Lease in whole or in part, or sublet the Premises or any part thereof, or license the use of all or any portion of the Premises or business conducted thereon, or encumber or hypothecate this Lease, without first obtaining Landlord's written consent, which consent Landlord will not unreasonably withhold. The sale or other transfer of shares of stock, partnership interests or other ownership interests in Tenant resulting in a change in the effective control of Tenant, or any merger, consolidation or other reorganization of Tenant shall be regarded as an indirect assignment of Tenant's interest in this Lease. Tenant's request for consent to any assignment, sublease or other transfer shall be in writing and shall include the following: (a) the name and legal composition of the proposed transferee; (b) the nature of the proposed transferee's business to be carried on in the Premises; (c) the terms and provisions of the proposed assignment or sublease; and (d) such financial and other reasonable information as Landlord may request concerning the proposed transferee or concerning the proposed assignment or sublease and any transaction contemplated to occur in connection therewith. Any assignment, subletting, licensing, encumbering or hypothecating of this Lease without Landlord's prior written consent shall constitute a breach of this Lease entitling Landlord to exercise all its rights and remedies herein provided. Landlord's consent to any assignment or sublease shall not constitute a waiver of the necessity for such consent to any subsequent assignment or sublease. The prohibition against assignment and subletting contained in this paragraph shall be construed to include a prohibition against assignment or subletting by operation of law. Notwithstanding any assignment or subletting with Landlord's consent, unless agreed to in writing, Tenant shall remain fully liable on this Lease and shall not be released from its obligations hereunder. Without limiting other reasons or circumstances, Landlord and Tenant agree that it is reasonable for Landlord to withhold consent to an assignment or sublease, if (i) the financial strength of the proposed assignee is not, in Landlord's reasonable judgment, commensurate with the obligations of the Lease; (ii) the proposed assignee's use would, in Landlord's reasonable judgment, be incompatible with the then current tenants, or use of the rest of the property.

Notwithstanding anything in the above Paragraph 16.1, Tenant may, without Landlord's prior written consent sublet the Premises or assign the Lease to (i) a subsidiary, affiliate, division or corporation or entity controlling, controlled by or under common control with Tenant; (ii) a

successor corporation or entity resulting from or related to Tenant by merger, consolidation, nonbankruptcy reorganization, or government action; or (iii) a purchaser of substantially all of Tenant's assets or stock located in the Premises. A sale or transfer of Tenant's capital stock shall not be deemed an assignment, subletting or any other transfer of the Lease or the Premises.

16.2. TENANT'S PAYMENTS. In the event Landlord shall consent to a sublease or assignment under this paragraph 16, Tenant shall pay Landlord's reasonable attorney's fees incurred in connection with giving such consent. Tenant shall also pay to Landlord an amount equal to 50% of all excess rent received by Tenant directly or indirectly in respect of an assignment of this Lease or sublease of the Premises. For this purpose, "excess rent" shall mean, in the case of an assignment, all monies so received and, in the case of a sublease, all monies so received in excess of the rents and charges reserved under this Lease, provided however, that Tenant shall first be entitled to deduct therefrom all reasonable costs associated with effecting the assignment or sublease, including without limitation, brokerage fees, tenant improvements and rent concessions. The assignee or sublessee shall, upon assuming the obligations of Tenant under this Lease, become jointly and severally liable to Landlord for the payment of Landlord's share of excess rent.

17. DAMAGE OR DESTRUCTION.

17.1. RIGHT TO TERMINATE ON DESTRUCTION OF PREMISES. Landlord and Tenant shall each have the right to terminate this Lease if, during the term, the Premises or the improvements on the property are damaged to an extent exceeding 33% of the then reconstruction cost of the Premises as a whole, or such improvements as a whole, as the case may be. Landlord or Tenant shall also have the right to terminate this Lease if 33% of the Premises are damaged by an uninsured peril. In either case, Landlord or Tenant may elect to terminate by written notice delivered within 30 calendar days of the happening of such damage. Such notice shall provide Tenant with a minimum of 60 days to vacate the Premises unless they are unsafe for occupancy, in which case, Tenant shall immediately vacate the Premises.

17.2. REPAIRS BY LANDLORD. If Landlord shall not elect to terminate this Lease pursuant to paragraph 17.1, Landlord shall immediately upon receipt of insurance proceeds paid in connection with such casualty, but in no event later than 180 calendar days after such damage has occurred, proceed to repair or rebuild the Premises, on the same plan and design and of equal quality and condition as existed immediately before such damage or destruction occurred, subject to such delays as may be reasonably attributable to governmental restrictions or failure to obtain materials or labor, or other causes beyond the control of Landlord. Tenant shall be liable for the repair and replacement of all fixtures, leasehold improvements installed hereafter, furnishings, merchandise, equipment and personal property not covered by the property insurance obtained pursuant to the provisions of this Lease.

17.3. REDUCTION OF RENT AND OPERATING EXPENSES DURING REPAIRS. Except with respect to damage caused in whole or in part by Tenant, its agents, servants, employees, invitees and guests, in the event Tenant is able to continue to conduct its business during the making of repairs, the rent then prevailing will be equitably reduced in the proportion that the unusable part of the Premises bears to the whole thereof for the period that repairs are being made. No rent or Operating Expenses shall be payable while the Premises are wholly unusable

due to casualty damage except for casualty damage caused in whole or in part by Tenant, its employees, agents, servants, invitees and guests, in which event Tenant shall remain liable for rental payments.

17.4. WAIVER. Tenant hereby waives the provisions of Sections 1932, subdivision 2, and 1933, subdivision 4, of the Civil Code of California.

18. HAZARDOUS MATERIALS.

18.1. TENANT'S WARRANTIES. Tenant hereby represents, warrants and covenants that Tenant will comply with each of the following requirements:

18.1.1. RESTRICTIONS ON BRINGING HAZARDOUS MATERIALS ONTO THE PROPERTY. Except for normal quantities of office supplies and cleaning products and those hazardous materials and quantities noted in the Tenant's Hazardous Material Management Plan filed with the city of Berkeley, for which no prior consent shall be required, during the term of this Lease, Tenant shall not cause or permit any Hazardous Material (as defined below) to be brought upon, used, kept or stored in, on, about or under the Property by Tenant, its agents, representatives, employees, contractors, invitees or subtenants, without the prior written consent of Landlord (which Landlord shall not unreasonably withhold). Tenant's use of any Hazardous Materials shall comply with all Environmental Health and Safety Requirements {as defined below} regulating such Hazardous Material and with the highest standards prevailing in the Tenant's industry for the use, keeping and storage of such Hazardous Material).

18.1.2. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS. If any Hazardous Material is brought upon, used, kept or stored in, on, about or under the Property by Tenant, its agents, representatives, employees, contractors, invitees or subtenants, then Tenant shall bear all financial and other responsibility for ensuring that such material shall be used, kept and stored in a manner which complies with all Environmental, Health and Safety Requirements regulating such Hazardous Material and with the highest standards prevailing in the Tenant's industry for the use, keeping and storage of such Hazardous Material. Without limiting any of the other obligations of Tenant set forth in this Lease, Tenant shall, at its own cost and expense, procure, maintain in effect and comply with all conditions and requirements of any and all permits, licenses and other governmental and regulatory approvals or authorizations required under any Environmental, Health or Safety Requirement in connection with the use, keeping and storage of such Hazardous Material in, on, about or under the Property. Tenant shall submit to Landlord copies of all such permits, licenses, or other governmental or regulatory approvals or authorizations within five business days of its receipt thereof.

18.1.3. TENANT'S OBLIGATION TO EFFECT RESTORATION. If, as a result of actions caused or permitted by Tenant (and/or Tenant's agents, representatives, employees, contractors, invitees or subtenants), the presence of any Hazardous Material in, on, about or under the Property or any adjoining property, existing during the term of this Lease results in any contamination of the Property or the surrounding environment, Tenant shall promptly take all actions at its sole cost and expense as are necessary to return the Property and/or the surrounding environment to the condition required by Environmental Health and Safety requirements and governmental authorities ("Restoration"); provided, however, that Tenant shall not undertake any

Restoration without first providing Landlord with written notice thereof and obtaining Landlord's approval therefor, which approval shall be granted or denied in Landlord's sole and absolute discretion. Tenant shall carry out any approved Restoration in a manner which complies with all Environmental, Health and Safety Requirements. Further, Tenant shall not undertake any Restoration, nor enter into any settlement agreement, consent decree or other compromise with respect to any claims, relating to any Hazardous Material in any way connected with the Property without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interest with respect thereto.

18.1.4. REMOVAL FROM PROPERTY. Upon the expiration or early termination of the term of this Lease, Tenant shall cause to be removed from the Property all Hazardous Materials existing in, on, about or under the Property brought upon, used kept or stored by Tenant (and/or Tenant's agents, representatives, employees, contractors, invitees or subtenants) as well as all receptacles or containers therefor, and shall cause such Hazardous Materials and such receptacles or containers to be stored, treated, transported and/or disposed of in compliance with all applicable Environmental, Health and Safety Requirements. Any Hazardous Materials, or receptacles or containers therefor, which Tenant causes to be removed from the Property shall be removed solely by duly licensed haulers and transported to and disposed of at duly licensed facilities for the final disposal of such Hazardous Materials and receptacles or containers therefor. Tenant shall deliver to Landlord copies of any and all manifests and other documentation relating to the removal, storage, treatment, transportation and/or disposal of any Hazardous Materials, or receptacles or containers therefor, reflecting the legal and proper removal, storage, treatment, transportation and/or disposal thereof. Tenant shall, at its sole cost and expense, repair any damage to the Property resulting from Tenant's removal of such Hazardous Materials and receptacles or containers therefor. Tenant's obligation to pay rent shall continue until Tenant completes such removal and effects such repairs.

18.1.5. TENANT'S WRITTEN CONFIRMATION. Tenant shall, from time to time throughout the term of this Lease, execute such affidavits, certificates or other documents as may be reasonably requested by Landlord concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials in, on, about or under the Property.

18.1.6. TENANT'S DUTY TO NOTIFY LANDLORD. Tenant shall notify Landlord in writing immediately upon becoming aware of: (1) any enforcement, cleanup, remediation or other action threatened, instituted or completed by any governmental or regulatory agency or private person with respect to the Property or any adjoining property relating to Hazardous Materials; (2) any claim threatened or made by any person against Tenant, the Landlord, the Property or any adjoining landowner, tenant or property for personal injury, compensation or any other matter relating to Hazardous Materials; and (3) any reports made by or to any governmental or regulatory agency with respect to the Property or any adjoining property relating to Hazardous Materials, including without limitation, any complaints, notices or asserted violations in connection therewith. Further, Tenant shall also supply to Landlord as promptly as possible, and in any event within five business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings, asserted violations or other documents relating in any way to the foregoing.

18.2. LANDLORD'S RIGHTS. Landlord and its agents and representatives shall have the right to communicate, verbally or in writing, with any governmental or regulatory agency or any environmental consultant on any matter with respect to the Property relating to Hazardous Materials. Landlord shall be entitled to copies of any and all notices, inspection reports or other documents issued by or to any such governmental or regulatory agency or consultant with respect to the Property relating to Hazardous Materials, excluding information and data that is proprietary or business confidential to Tenant.

18.3. TENANT'S DUTY TO INDEMNIFY. If the presence of Hazardous Materials on the Property is caused by the Tenant, then Tenant shall indemnify, defend and hold Landlord any partner or other affiliate of Landlord, and any director, officer, shareholder, employee, agent, attorney or partner of any of the foregoing, harmless from and against any and all claims, damages, penalties, fines, costs, liabilities and losses (including, without limitation, diminution in value of the Property, damages for the loss or restriction on use of rental or useable space or of any other amenity of the Property, damages arising from any adverse impact on marketing of space in the Property, other consequential damages and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees) which arise during or after the term of this Lease as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with removal or restoration work required by any governmental or regulatory agency or pursuant to any settlement agreement or judgement because of the presence of Hazardous Materials in the soil or groundwater in, on, about or under the Property or any adjoining property caused by Tenant and any and all legal fees and expenses incurred by Landlord with respect to such claims, demands, investigation and response.

Landlord shall defend, indemnify, and hold harmless from and against any and all liability, loss, suits, claims, actions, costs and expense, including without limitation, any attorney's fees, arising from any contamination of the Premises or property (including the underlying land and ground water) by any Hazardous Materials, where such contamination was not caused by Tenant. The provisions of this paragraph shall survive the termination or expiration of this Lease.

18.4. LANDLORD'S RIGHT OF ENTRY. If contamination of the Property by Hazardous Materials occurs or if any lender or governmental agency requires an investigation to determine whether there has been any contamination of the Property or any adjoining property, then Landlord and its agents and representatives shall have the right, at any reasonable time and from time to time during the term of this Lease, with reasonable notice to enter upon the Property to perform monitoring, testing or other analyses (provided Landlord shall promptly restore the Premises), and to review any and all applicable documents, notices, correspondence or other materials. All costs and expenses reasonably incurred by Landlord in connection therewith shall become due and payable by Tenant if such investigation conclusively determines that Tenant has caused such contamination.

18.5. DEFINITIONS. As used herein, the following terms shall have the following meanings:

18.5.1. "HAZARDOUS MATERIAL": shall mean, without limitation, (1) petroleum or petroleum products; (2) hydrocarbon substances of any kind (3) asbestos in any form; (4) formaldehyde; (5) radioactive substances; (6) industrial solvents; (7) flammables; (8)

explosives; (9) leakage from underground storage tanks; (10) substances defined as "hazardous substances", "hazardous materials", or "toxic substances" in (A) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 or as otherwise amended, 42 U.S.C. Section 9601, ET SEQ., (B) Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 ET SEQ. and any amendments thereto, or (C) the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, ET SEQ. and any amendments thereto; (11) those substances defined as "hazardous wastes", "extremely hazardous wastes" or "restricted hazardous wastes" in Sections 25115, 25117, and 25122.7 or listed pursuant to Section 25140 of the California Health & Safety Code and any amendments thereto; (12) those substances defined as "hazardous substances" in Section 25316 of the California Health & Safety Code and any amendments thereto; (13) those substances defined as "hazardous materials", "hazardous wastes" or "hazardous substances" in Sections 25501 and 25501.1 of the California Health & Safety Code and any amendments thereto; (14) those substances defined as "hazardous substances" under Section 25281 of the California Health & Safety Code and any amendments thereto; (15) those substances causing "pollution" or "contamination" or constituting "hazardous substances" within the meaning of (A) the Clean Water Act, 33 U.S.C. 1251 ET SEQ. and any amendments thereto, (B) the Porter-Cologne Water Quality Control Act, Section 13050 of the California Water Code and any amendments thereto, and (C) the Safe Drinking Water Act, 42 U.S.C. Section 300f ET SEQ.; (16) such chemicals as are identified on the list published from time to time as provided in Chapter 6.6 of the California Health and Safety Code, as amended, as causing cancer or reproductive toxicity; (17) polychlorinated biphenyls (PCBs) set forth in the Federal Toxic Substance Control Act, as amended, 15 U.S.C. Section 2601 ET SEQ.; (18) "toxic air contaminant" as defined in California Health and Safety Code Section 39655; and (19) the wastes, substances, materials, contaminants and pollutants identified pursuant to or set forth in the regulations adopted or judicial or administrative orders, decisions or decrees promulgated pursuant to any of the foregoing laws. The foregoing list of definitions and statutes is intended to be illustrative and not exhaustive and such list shall be deemed to include all definitions, rules, regulations and laws applicable to the subject matter of this paragraph as such rules, laws, regulations and definitions may be amended, modified, or changes from time to time.

18.5.2. "ENVIRONMENTAL HEALTH AND SAFETY REQUIREMENT" shall mean any law, statute, ordinance, rule, regulation, order, judgment or decree promulgated by any local, regional, state or federal governmental agency, court, judicial or quasi-judicial body or legislative or quasi-legislative body which relates to matters of the environment, health, industrial hygiene or safety.

18.6. ALLOCATION OF RESPONSIBILITIES. ANY AND ALL LIABILITIES ARISING FROM THE MANUFACTURING, GENERATION, HANDLING, USE STORAGE, TREATMENT, TRANSPORTATION, DISPOSAL OR EXISTENCE OF HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT THE PROPERTY OR ANY ADJOINING PROPERTY DURING THE TERM OF THIS LEASE BY TENANT (INCLUSIVE OF ALL SUBTENANTS, ASSIGNEES, AGENTS, EMPLOYEES, INVITEES, GUESTS, LICENSEES AND AFFILIATES OF TENANT), SHALL AT ALL TIMES REMAIN THE SOLE RESPONSIBILITY OF TENANT AND TENANT SHALL RETAIN ANY AND ALL LIABILITIES ARISING THEREFROM. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS

SECTION 18, ANY ACT BY LANDLORD OR ITS AGENTS OR REPRESENTATIVES HEREUNDER SHALL NOT CONSTITUTE AN ASSUMPTION BY LANDLORD OF ANY OBLIGATIONS, DUTIES, RESPONSIBILITIES OR LIABILITIES PERTAINING TO TENANT'S COMPLIANCE WITH ANY ENVIRONMENTAL, HEALTH OR SAFETY REQUIREMENT, WHICH TENANT SHALL RETAIN UNDER ALL CIRCUMSTANCES AND SHALL INDEMNIFY, DEFEND AND HOLD LANDLORD HARMLESS AS PROVIDED HEREIN. FURTHER, NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS SECTION 18 EVEN THOUGH HAZARDOUS MATERIALS REMOVED, TRANSPORTED AND DISPOSED OF BY TENANT MAY ORIGINATE FROM THE PROPERTY, TENANT SHALL REMAIN FULLY LIABLE FOR THEIR REMOVAL, TRANSPORTATION AND DISPOSAL AND SHALL INDEMNIFY, DEFEND AND HOLD LANDLORD HARMLESS WITH RESPECT TO SUCH HAZARDOUS MATERIALS AS PROVIDED HEREIN.

18.7. INSPECTIONS. Tenant warrants that all governmental inspections of the Property as required under the laws referenced above will be permitted. Tenant shall provide to Landlord a copy of the reports for each such inspection within 15 days of Tenant's receipt of such reports. Except in instances when governmental report of such inspection has been made within the last 12 month period, but no more frequently than every 12 months, at Landlord's request, Tenant shall obtain and deliver to Landlord an inspection by a private engineering firm, resulting in a written report specifying Tenant's compliance, or enumerating the reasons for Tenant's lack of compliance with such laws and regulations. If Tenant is in violation as demonstrated by the report tenant shall pay for the cost of the inspection and report. If Tenant is not in violation as demonstrated by the report, Landlord will pay for the cost of the inspection and report. Landlord may, from time to time, waive the requirements of an inspection by a private engineering firm if Tenant's use of the Property is limited solely to offices and administrative uses.

18.8. COOPERATION. Tenant shall comply with any reasonable procedures or regulations promulgated by Landlord from time to time in connection with the matters covered by such laws and regulations provided that such procedures and regulations shall not unduly interfere with Tenant's business, and provided that Landlord shall have no duty to establish any procedures or regulations or to supervise in any way Tenant's activities on the Property.

18.9. SURVIVAL. The covenants, agreements and indemnities of Landlord and Tenant set forth in this Section 18 shall survive the expiration or earlier termination of this Lease and shall not be affected by any investigation, or information obtained as a result of any investigation, by or on behalf of Landlord or any prospective Tenant.

18.10. STORAGE TANKS. Tenant further covenants and agrees that it shall not install any storage tank (that being one requiring any agency's permit), whether above or below the ground) on the Property without obtaining the prior written consent of the Landlord, which consent may be conditioned upon further requirements imposed by Landlord with respect to, among other things, compliance by Tenant with any applicable laws, rules, regulations or ordinances and safety measures or financial responsibility requirements.

18.11. LIMITATION ON TENANT'S LIABILITY FOR HAZARDOUS MATERIALS. Notwithstanding anything as may exist to the contrary in this paragraph 18 or elsewhere in this Lease, Tenant shall not be liable or otherwise responsible for: (i) investigating, removing, remediating, cleaning up or otherwise responding to any Hazardous Material or associated contamination (a) which was present in, on, above, under or about the Premises, property or surrounding environment prior to Tenant's occupancy of the Premises, or (b) which was not brought onto the Premises, the property or surrounding environment by Tenant or its agents, employees, representatives, contractors, invitees or subtenants; or (ii) any claims, damages, penalties, fines, costs, liabilities, or losses arising from any Hazardous Material or associated contamination (a) which was present in, on, above, under or about the Premises, property or surrounding environment prior to Tenant's occupancy of the Premises, or (b) which was not brought onto the Premises, property or surrounding environment by Tenant or its agents, employees, representatives, contractors, invitees or subtenants.

19. MISCELLANEOUS PROVISIONS.

19.1. WAIVER. No waiver of any breach of any covenants or conditions of this Lease shall be construed to be a waiver of any other breach or to be a consent to any further or succeeding breach of the same or other covenant or condition. The acceptance of rent hereunder by Landlord after Tenant's breach shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

19.2. SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the provisions hereof shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

19.3. NOTICES. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and either personally delivered, sent by commercial delivery service that provides confirmation of delivery, or sent by certified mail, return receipt requested, postage prepaid, properly addressed to the other party at the address set forth next to its signature below, or at such other address or addresses as may, from time to time, be designated in like manner by one party to the other. Any such notice shall be deemed given when personally delivered or on the date indicated on the post office's certified mail receipt of delivery.

19.4. PARTIAL INVALIDITY. If, for any reason, any provision of this Lease shall be determined to be invalid or inoperative, the validity and effect of the other provisions of this Lease shall not be affected.

19.5. NUMBER AND GENDER. All terms of this Lease shall be construed to mean either the singular or the plural, masculine, feminine or neuter, as the situation may demand.

19.6. DESCRIPTIVE HEADINGS. The headings used herein and in any of the documents annexed hereto as schedules, lists or exhibits are descriptive only and for the

convenience of identifying provisions, and are not determinative of the meaning or effect of any such provision.

19.7. TIME. In all matters, time is of the essence in the performance of all obligations under this Lease.

19.8. ENTIRE AGREEMENT. This Lease and the documents annexed hereto as schedules, lists or exhibits, constitute the entire agreement and understanding between the parties with respect to the subject matters addressed by this Lease and the said attachment, and supersede and replace any prior agreements and understandings, whether oral or written, between and among them with respect to the lease of the Premises, rental therefor, use thereof and all other such matters. The provisions of this Lease may be waived, altered, amended or repealed in whole or in part only upon the written consent of Landlord and Tenant.

19.9. MEMORANDUM OF LEASE. Landlord and Tenant mutually agree that they will not file or record a copy of this Lease, but that in the event either party requests a recording, Landlord and Tenant shall execute and acknowledge a memorandum of this Lease in a form approved by the parties setting forth in said memorandum the description of the Premises, the date of the Lease, the commencement date and the date of termination. Said memorandum of lease may be recorded in the recorder's office of the county in which the Premises are located.

19.10. APPLICABLE LAW. This Lease shall be construed and interpreted in accordance with the laws of the State of California.

19.11. AUTHORITY. Each individual executing this Lease on behalf of a corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of the corporation in accordance with a duly adopted resolution of the Board of Directors of the corporation, and that this Lease is binding upon said corporation in accordance with its terms. Each individual executing this Lease on behalf of a partnership represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of the partnership and that this Lease is binding upon said partnership in accordance with its terms.

19.12. LITIGATION EXPENSE. If any party shall bring an action or arbitration proceeding against any other party hereto by reason of the breach of any covenant, warranty, representation or condition hereof, or otherwise arising out of this Lease or any schedule, list or exhibit hereto, whether for declaratory or other relief, the prevailing party in such suit shall be entitled to such party's costs of suit and attorneys' fees, which shall be payable whether or not such action is prosecuted to judgment.

19.13. SUBORDINATION OF LEASEHOLD. This Lease is and shall be at all times, subject and subordinate to the lien of any mortgage or other encumbrances which Landlord may create against the Property, including all renewals, replacements and extensions. Tenant shall execute all written instruments which may be required by Landlord to subordinate Tenant's rights to the lien of such mortgage which obligation by Tenant is conditioned upon the holder of such lien providing to Tenant a written subordination, non disturbance, and attornment agreement, in a form reasonably acceptable to Tenant, providing, in essence, that as long as Tenant is not in default under the provisions of this Lease (after notice and the expiration of any

grace period provided for in the Lease), the lender will, in the event of a foreclosure, recognize the interest of Tenant to remain in possession of the Premises under the Lease for the duration of the unexpired Term (and any extensions provided for in this Lease). Landlord shall use its best efforts to have all lenders currently secured by the Property to provide Tenant with a non disturbance agreement within 30 days of the date this Lease is executed by Landlord and Tenant.

19.14. TENANT'S CERTIFICATE. Within 15 days following Landlord's request, Tenant shall complete, execute and deliver to Landlord a Tenant's certificate or estoppel certificate, setting forth any information reasonably requested by Landlord, including, but not limited to, (a) certification that this Lease is unmodified and in full force and effect (or if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, (b) acknowledgment that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any are claimed, and (c) setting forth the date of commencement and expiration of the term. Tenant's failure to deliver such certificate within said 15 days shall be deemed, for all purposes, to be an acknowledgement that Landlord is not in default under the Lease, and that the terms of the Lease have not been modified or supplemented in any way. It is intended that such certificate may be relied upon by any prospective purchaser, lender or assignee of any lender of the Premises.

19.15. ATTORNMENT. In the event of any sale of the Premises or if proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, any mortgage, installment land contract or deed of trust made by Landlord covering the Premises, Tenant shall attorn to the mortgage or the purchaser upon any such foreclosure or sale and recognize such mortgagee or purchaser as Landlord under this Lease provided such party has assumed in writing Landlord's obligations hereunder.

19.16. LANDLORD'S ESTATE. Tenant shall look only to Landlord's estate in the property of which the Premises are a part and the land on which it is located for the satisfaction of Tenant's remedies, or for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder, and no other property or assets of Landlord or its partners or principals, disclosed or undisclosed, shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use or occupancy of the Premises.

19.17. COMPLIANCE WITH LENDER'S REQUESTS. Tenant agrees to consent to reasonable amendments to this Lease from time to time as may be requested by any current or future mortgagee or holder of other encumbrance which Landlord may create against the Premises from time to time, provided that such amendments do not materially affect Tenant's financial obligations or its occupancy and use under this Lease or Landlord's obligations hereunder. Tenant agrees to timely supply financial information as reasonably requested by Landlord for lender's analysis of Tenant's financial condition as a condition of any encumbrance of the property. Tenant shall not be obligated to deliver financial statements of Tenant pursuant to Paragraph 19.17 more frequently than once every 12 months during the term hereof.

19.18. RESERVED.

19.19. LANDLORD'S LIEN. Notwithstanding anything to the contrary, Landlord waives any and all rights, title and interest Landlord now has, or hereafter may have, whether statutory or otherwise, to Tenant's inventory, equipment, furnishings, trade fixtures, books and records, and personal property paid for by Tenant located at the Premises (singly and/or collectively, the "Collateral"). Landlord acknowledges that Landlord has no lien, right, claim, interest or title in or to the Collateral. Landlord further agrees that Tenant shall have the right, at its discretion, to mortgage, pledge, hypothecate or grant a security interest in the Collateral as security for its obligations under any equipment lease or other financing arrangement related to the conduct of Tenant's business at the Premises. Landlord further agrees to execute and deliver within three (3) business days any UCC filing statement or other documentation required to be executed by Landlord in connection with any such lease or financing arrangement.

Notwithstanding the foregoing, all trade fixtures, signs, equipment, furniture, or other personal property of whatever kind and nature kept or installed on the Premises by Tenant shall not become the property of Landlord or a part of the realty no matter how affixed to the Premises and may be removed by Tenant at any time and from time to time during the entire term of this Lease. Upon request of Tenant or its assignees or any subtenant, Landlord shall execute and deliver any real estate consent or waiver forms submitted by any vendors, equipment lessors, chattel mortgagees, or holders or owners of any trade fixtures, signs, equipment, furniture, or other personal property of any kind and description kept or installed on the Premises setting forth that Landlord waives, in favor of the vendor, equipment lessor, chattel mortgagee, or any holder or owner, any superior lien, claim, interest or other right therein. Landlord shall further acknowledge that property covered by the consent or waiver forms is personal property and is not to become a part of the realty no matter how affixed thereto, and that such property may be removed from the Premises by the vendor, equipment lessor, chattel mortgagee, owner, or holder at any time upon default in the terms of such chattel mortgage or other similar documents, free and clear of any claim or lien of Landlord. Tenant shall promptly repair any damage and restore the portion of the Premises caused by the removal of such property, whether effected by Tenant or Tenant's vendors, chattel mortgagees, or equipment lessors.

19.20. SUBMISSION OF LEASE. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease nor does it create any obligation on Landlord's part until execution and delivery by both Landlord and Tenant.

19.21. ARBITRATION OF DISPUTES. IF ANY CONTROVERSY OR CLAIM BETWEEN THE PARTIES HERETO ARISES OUT OF THIS AGREEMENT, SUCH CONTROVERSY OR CLAIM SHALL BE SUBMITTED TO BINDING ARBITRATION. SUCH ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT UPON THE AWARD ENTERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1283.05 SHALL APPLY TO SUCH ARBITRATION. PUNITIVE DAMAGES SHALL NOT BE CLAIMED, CONSIDERED OR AWARDED.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISIONS DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OF JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

/S/ Fifth & Potter Street Associates, LLC	/S/ MB
Initial	Initial

19.22. VENUE. Any action or arbitration brought to enforce or interpret the provisions of this Agreement shall be venued in Alameda County, California.

19.23. BROKERAGE. Tenant and Landlord represent that both sides have been represented by CB Commercial, whose commission shall be paid by Landlord.

19.24. PARKING. Tenant shall have nonexclusive rights to the use of three (3) parking spaces per thousand useable square feet of Tenant's Premises (defined as that portion of the Premises allocated to Tenant's exclusive use and exclusive of any common area allocated to tenant), at no additional charge.

19.25. USE OF AMENITIES. Tenant shall have the right to an undivided use of, and access to, all common area amenities associated with the property on the same basis as provided to all tenants of the property.

19.26. DAYS. All references in this Lease to DAYS shall refer to calendar days.

19.27. STRUCTURAL AND ADA COMPLIANCE. As of the commencement date, the construction to be performed by Landlord pursuant to paragraph 2.2 hereof and all structural parts of the Premises and the property including, without limitation, the foundation, roof, exterior walls, plumbing, electrical and other mechanical systems (a) will meet and comply with all federal, state, and local laws, ordinances and regulations and all handicapped accessibility standards, including, without limitation, those promulgated under the Americans With Disabilities Act, and (b) will be in good, workable and sanitary order, condition, and repair.

IN WITNESS WHEREOF, the parties have executed this Lease on the date and year first above written.

LANDLORD:	TENANT:
By:/s/ Fifth & Potter Street Associates,LLC	By: /s/ M P Becket
Authorized Officer	Authorized Officer - CFO
	Michael P. Becket
	Print Name
ADDRESS FOR NOTICES:	ADDRESS FOR NOTICES:
1120 Nye Street, Suite 400 San Rafael, CA 94901	10835 Altman Row #500 San Diego, CA 92121
Date	Date 1/30/98

ADDENDUM TO LEASE
DATED JANUARY 30, 1998
BETWEEN
FIFTH & POTTER STREET ASSOCIATES LLC
AND
DYNAVAX TECHNOLOGIES CORPORATION
FOR PREMISES LOCATED AT
717 POTTER STREET, BERKELEY, CALIFORNIA

This Addendum to lease is attached to and forms a part of that certain Triple Net Laboratory Lease dated January 30, 1998 ("Lease"), by and between Fifth & Potter Street Associates LLC ("Landlord") and Dynavax Technologies Corporation ("Tenant") for premises on the first floor of the building located at 717 Potter Street, Berkeley, California. Words and terms that are defined in the Lease shall have the same meaning in this Addendum as the meaning provided in the Lease. In the event of any inconsistency between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

Section 1. OPTION TO TERM

(a) Landlord hereby grants Tenant an option (the "Extension Option") to extend the term of the Lease for one additional period of five (5) years, commencing immediately after the expiration of the initial term, upon the same terms and conditions contained in the Lease, except that (i) the base monthly rent for the Premises shall be equal to ninety-five percent (95%) of the fair market rent for the Premises determined in the manner set forth in subparagraph (b) below, (ii) Tenant shall accept the Premises in an "as is" condition without any obligation of landlord to repaint, remodel, repair, improve or alter the Premises, and (iii) there shall be no further options to extend the term of the Lease. The Extension Option shall be exercised, if at all, by notice from Tenant to Landlord in writing given no less than twelve (12) months prior to expiration for the initial term of the Lease. If Tenant properly exercises the Extension Option, references in the Lease to the term shall be deemed to include the option term unless the context clearly provides otherwise. Notwithstanding anything to the contrary contained herein, if Tenant is in default under any of the material terms, covenants or conditions of the lease, at the time Tenant exercises the Extension Option, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in the Lease, the right to terminate the Extension Option upon notice to Tenant, in which event the expiration date of the Lease shall be and remain the expiration date of the initial term.

(b) If Tenant properly exercises the Extension Option, the base monthly rent during the option term shall be determined in the following manner. The base monthly rent shall be increased to an amount equal to ninety-give percent (95%) of the fair market rent for the Premises as of the commencement of the option term for a term equal to the option term, as specified by Landlord by notice to Tenant not less than ninety (90) days prior to commencement of the option term, subject to Tenant's right of arbitration as set forth below. If Tenant believes that the fair market rent specified by Landlord exceeds the actual fair market rent for the Premises as of commencement of the option term, then Tenant shall so notify Landlord within thirty (30) days following receipt of Landlord's notice. If Tenant fails to so notify Landlord

within said thirty (30) day period, Landlord's determination of the fair market rent for the premises shall be final and binding upon the parties. If the parties are unable to agree upon the fair market rent for the premises within thirty (30) days after Landlord's receipt of notice of Tenant's objection, the amount of base monthly rent as of commencement of the option term shall be determined as follows:

(1) Within thirty (30) days after receipt of the Landlord's notice specifying fair market rent, Tenant, at its sole expense, shall obtain and deliver in writing to Landlord a determination of the fair market basic rent for the Premises for a term equal to the option term from a broker ("Tenant's broker") licensed in the State of California and currently active in the market for research laboratory space in the Berkeley/Emeryville area. If Landlord accepts such determination, the base monthly rent for the option term shall be increased to an amount equal to ninety-five percent (95%) of the amount determined by Tenant's broker.

(2) If Landlord does not accept such determination, within ten (10) days after receipt of the determination of Tenant's broker, Landlord shall designate a broker ("Landlord's broker") licensed in the State of California and currently active in the market for research laboratory space in the Berkeley/Emeryville area. Landlord's broker and Tenant's broker shall name a third broker, similarly qualified, within five (5) days after the appointment of Landlord's broker. Each of said three brokers shall determine the fair market rent for the Premises as of the commencement of the option term for a term equal to the option term within twenty (20) days after the appointment of the third broker. The base rent payable by Tenant effective as of the commencement of the option term shall be increased to an amount equal to ninety-five percent of the arithmetic average of such three determinations; provided, however, that if any such broker's determination deviates more than 10% from the median of such determinations, the base monthly rent payable shall be an amount equal to ninety-five percent (95%) of the average of the two closest determinations.

(3) Landlord shall pay the costs and fees of Landlord's broker in connection with any determination hereunder, and Tenant shall pay the costs and fees of Tenant's broker in connection with such determination. The costs and fees of any third broker shall be paid one-half by landlord and one-half by Tenant.

(c) If the amount of the fair market rent is not known as of the commencement of the option term, then Tenant shall continue to pay the base monthly rent in effect at the expiration of the initial term until the amount of the fair market basic rent is determined. When such determination is made, Tenant shall pay any deficiency to Landlord upon demand.

Section 2. OPTION TO EXPAND

(a) Subject to Tenant's payment of the Expansion Space Holding Cost as provided for hereinbelow, Landlord hereby grants to Tenant an option (the "Expansion Option") to lease the expansion area containing approximately 3,036 rentable square feet (which includes the adjustment provided for in Paragraph 2.1 of the Lease) as shown on Exhibit A to the Lease (the "Expansion Space"). The expansion Option shall be exercised, if at all, by notice from Tenant to Landlord in writing within six (6) months of the commencement date of the term of the Lease; provided, however, that if Tenant is in default under any of the material terms, conditions or

covenants of the Lease, either at the time Tenant exercises, the Expansion Option or when Landlord delivers the Expansion Space, Landlord shall have, in addition to the rights and remedies provided in the Lease, the right to terminate the Expansion Option.

(b) If Tenant elects to exercise the Expansion Option, Landlord shall provide Tenant with an improvement allowance equal to $70.00 per useable square foot of space in the Expansion Space, and the Expansion Space shall be built out by landlord in accordance with the terms of Exhibit B to the Lease (with appropriate changes to reflect build-out of the Expansion Space, as opposed to the initial Premises). Landlord shall deliver possession of the Expansion Space to Tenant for occupancy upon completion of the build-out of the Expansion Space; but in no event later than 2 Months from Tenant's exercise of the Expansion Option and, upon such delivery, the Expansion Space shall be deemed to be a part of the Premises and shall be leased upon and subject to all of the terms, covenants and conditions of, and at the base monthly rental rate provided for in, the Lease; and the square footage of the Premises (which includes the adjustment provided for in Paragraph 2.1 of the Lease) and Tenant's Pro Rata Share shall be appropriately adjusted.

(c) Landlord's grant of the Expansion Option is subject to and conditioned upon Tenant's payment to Landlord of a monthly amount to hold the Expansion Space off the market, said monthly amount being equal to $.83 per rentable square foot of the Expansion Space (which includes the adjustment provided for in Paragraph 2.1 of the Lease) plus Tenant's Pro Rata Share attributable to the Expansion Space (collectively, the "Expansion Space Holding Costs"), for the period from the commencement date of the Lease to the date Tenant exercises its option for the Expansion Space or the date Tenant notifies Landlord that Tenant elects to terminate the Expansion Option. Expansion Space Holding Costs shall be payable monthly, in advance, in accordance with the terms of, and as additional rent owing under, the Lease.

Section 3. TEMPORARY OFFICE SPACE

From February 1, 1998, through the commencement date of the Lease (the "Pre-Occupancy Period"), Landlord (or an affiliate of Landlord) shall provide Tenant with approximately 300 square feet of space on the first floor of the building located at 800 Heinz Street, Berkeley, California, for use by three (3) employees of Tenant (the "Temporary Space"). Tenant shall take the Temporary Space on an "As-Is" basis. Monthly rent for the Temporary Space shall be $275 per month fully serviced from lease execution through occupancy of the finished spaces, payable on the first day of each month during the Pre-Occupancy Period. Tenant's occupancy of the Temporary Space shall be on all of the terms and conditions as specified in the Lease for Tenant's Occupancy of the Premises; and prior to Tenant's occupancy of the Temporary Space, Tenant shall deliver to Landlord certificates of Tenant's liability insurance coverage for the Temporary space showing Landlord (and the owner of the building, if other than Landlord) as an additional insured thereunder.

Section 4. ACCOMMODATION OF TENANT'S ADDITIONAL SPACE REQUIREMENT

In the event that Tenant exercises the Expansion Option and occupies the Expansion Space as provided in Section 2 above, Tenant shall thereafter have the following additional expansion right:

(a) On or before the second anniversary of the commencement date of the Lease, Tenant may notify Landlord in writing (the "Additional Expansion Notice") that Tenant desires to lease additional space for its business operations. Tenant shall specify in said Additional Expansion Notice the amount of additional space that Tenant needs (the "Additional Space Requirement"); provided, however, that Tenant must specify an Additional Space Requirement of not less than 5,000 square feet.

(b) If Tenant delivers the Additional Expansion Notice to Landlord, during the six (6) month period from the 25th month to the 30th month of the term of the Lease, Landlord shall attempt to make available to Tenant sufficient space to satisfy the Additional Space Requirement either within the Building or within another generally comparable building in the Emeryville/Berkeley area that is owned or operated by Wareham Property Group, Inc. or an affiliate thereof (collectively, "Wareham").

(c) If the Additional Space Requirement can be satisfied within said six (6) month period, Landlord or Wareham, as the case may be, shall offer such space for lease to Tenant on such terms and conditions as are then currently being quoted by Landlord or Wareham for such space, including, without limitation, rental rates, term and tenant improvement allowance. Tenant shall accept or reject any such offer within five (5) business days after receipt thereof.

(d) If such an offer for the Additional Space Requirement is made to Tenant within said six (6) month period and Tenant does not accept such offer, Tenant's rights under this Section 4 shall terminate, Tenant shall have no further right with respect to the Additional Space Requirement, and the Lease shall remain in full force and effect.

(e) If such an offer for the Additional Space Requirement is not made to Tenant within said six (6) month period, Tenant shall have the right to terminate this Lease upon the following conditions:

(i) Tenant must notify Landlord of such termination within ninety (90) days after the expiration of such six (6) month period.

(ii) In the event Tenant so notifies Landlord of such termination, the Lease shall terminate within ninety (90) days after Landlord's receipt of such notice.

(iii) In the event Tenant fails to so notify Landlord of such termination, Tenant's right to terminate the Lease shall expire and the Lease shall remain in full force and effect.

(f) Notwithstanding anything set forth hereinabove, if Tenant is in default of any of the material terms, conditions or covenants of the Lease at the time Tenant delivers the Additional Expansion Notice, Landlord shall have, in addition to the rights and remedies provided in the Lease, the right to terminate all of Tenants rights under this Section 4 with respect to the Additional Space Requirement, including, without limitation, any right to terminate the lease pursuant to subparagraph (e) above.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Addendum to Lease as of the date set forth above.

TENANT:	LANDLORD:
Dynavax Technologies Corporation, a California corporation	Fifth & Potter Street Associates LLC, a California Limited Liability Company
By: /s/ M P Becket	By:/s/ Fifth & Potter Street Associates,LLC
Its: CFO	Its:

EXHIBIT A

EXHIBIT B

Work Letter
Initial Improvement of Premises

1. TENANT IMPROVEMENTS

Prior to the Commencement Date, at its sole cost and expense, Landlord, through its General Contractor, shall furnish and install within the Premises those items of general construction (the "Tenant Improvements") shown on the plans and specifications finally approved by Landlord and Tenant in writing pursuant to Paragraph 5 below. Such construction shall be performed in a good and workmanlike manner and in compliance with all applicable codes and regulations ("Code Requirements").

2. COST OF THE IMPROVEMENTS

(a) Based upon a Tenant Improvement build out that is approximately 50% OFFICE and 50% LABORATORY, and substantially the same in function and finish as the Bayer Laboratories build-out on the second floor of the Building, Landlord will construct the Tenant Improvements on a turnkey basis.

(b) If there is a material change to the functions or finish of the Tenant Improvements to be constructed in the Premises from that described in subparagraph (a), based upon the Final Plans and Specifications approved by Tenant, or if Tenant requests any changes after approval of the Final Plans and Specifications, the cost thereof shall be the responsibility of Tenant to the extent the cost exceeds the cost of the initial plans and specs.

3. PLANS AND SPECIFICATIONS

(a) Landlord, at its cost, through its architects, shall furnish all architectural and engineering plans and specifications (the "Plans and Specifications") required for the construction of the Tenant Improvements. Tenant shall provide instruction to Landlord's architects sufficient to enable Landlord's architects to complete Plans and Specifications in accordance with Paragraph 5 below. All Plans and Specifications are subject to Landlord's approval, which Landlord agrees shall not be unreasonably withheld. Tenant reserves the right to review and approve final plans.

(b) Any architectural or engineering services for Tenant's Work referred to in Paragraph 4 below or interior design services in excess of Building standards, such as selection for colors, furnishings or floor coverings shall be at Tenant's sole cost.

4. TENANT'S WORK

Any items or work not shown in the Final Plans and Specifications approved as provided in Paragraph 5, including, for example, telephone or telecommunications service or furnishings, for which Tenant contracts separately (hereinafter) "Tenant Work"), shall be subject to Landlord's reasonable policies and schedules and shall be conducted in such a way as not to hinder, cause any disharmony with or unreasonable or substantial delay work of improvement in

the Building. Tenant's major suppliers, contractors, workmen and mechanics shall be subject to approval by Landlord not to be unreasonably withheld prior to the commencement of their work and shall be subject to Landlord's administrative control while performing their work. Tenant shall cause its suppliers and contractors to engage only labor that is harmonious and compatible with other labor working in the Building. In the event of any labor disturbance caused by persons employed by Tenant or Tenant's contractor, Tenant shall immediately take all actions necessary to eliminate such disturbance. At any time any supplier, contractor, workmen or mechanic performing Tenant's work hinders or delays any other work of improvement in the Building or performs any work which may or does substantially impair the quality, integrity or performance or any portion of the Building, Tenant shall cause such supplier, contractor, workman or mechanic to leave the Building and remove all his tools, equipment and materials immediately upon written notice delivered to Tenant and Tenant shall reimburse Landlord for any repairs or corrections of the Tenant Improvements or Tenant's work or of any portion of the Building caused by or resulting from the work of any supplier, contractor, workman or mechanic with whom Tenant contracts.

5. APPROVAL OF PLANS AND SPECIFICATIONS

Landlord's architect, in consultation with Tenant, shall prepare a space plan for the build-out of the Premises consistent with the standard of improvement described in Paragraph 2 (a) above. Such space plan must be finalized and approved by Landlord and Tenant no later than January 30, 1998. Tenant will have at least five (5) business days to approve plans and any subsequent revision. Thereafter, Landlord's architect will prepare working drawings for the Tenant Improvements based upon the approved space plan, and the same shall be submitted to Tenant. Tenant shall approve such Plans and Specifications within five (5) business days of receipt or designate by written notice to Landlord the specific changes required to be made to the Plans and Specifications, which changes, if approved by Landlord, shall be made by Landlord as soon as REASONABLY POSSIBLE. This procedure shall be repeated until the Plans and Specifications are finally approved by Tenant (the "Final Plans and Specifications");

6. COMPLETION AND COMMENCEMENT DATE

The term of the Lease and Tenant's obligation for the payment of rent under the Lease shall commence in accordance with Paragraph 1.1 of the Lease. The parties acknowledge and agree that the anticipated commencement date is March 30, 1998. If Landlord shall be delayed in substantially completing the Tenant Improvements as a result of:

(a) Tenant's failure to timely furnish complete instructions or approvals in accordance with the procedures set forth in Paragraph 5, or

(b) Tenant's changes to Final Plans and Specifications after final approval thereof, or

(c) Tenant's request for materials, finishes, or installations other than as described in Paragraph 2(a) above, or

(d) Hindrance or disruption of work of Landlord's contractor resulting from Tenant's Work.

then the commencement date of the Lease and Tenant's obligation for the payment of rent shall be advanced by the number of days of such delay offset by the number of days attributable to Landlord Delays.

7. PAYMENT

Tenant shall pay to landlord as additional rent all amounts due under the terms of this Exhibit B within twenty (20) days following delivery of Landlord's invoice, therefore, which invoices shall be rendered monthly or at such other intervals as Landlord shall determine.

8. TENANT'S REPRESENTATIVE

Mike Becket shall act as Tenant's representative in all matters to be covered by this Work Letter. Such representative shall act on behalf of Tenant in connection with the issuance of any approvals or disapprovals to be made or given by Tenant under the terms of this Work Letter and the making of any other communications required or permitted under the terms of this Work Letter. Landlord shall be entitled to rely upon any approval or disapproval issued, or other communication made, by Tenant's representative.

FIRST AMENDMENT TO LEASE AGREEMENT

This agreement, dated July 1, 1999, refers to a Fifth and Potter Street Associates, LLC lease made and entered into on January 30, 1998, between Fifth and Potter Street Associates, LLC (Lessor) and Dynavax Technologies Corporation (Tenant) for the premises at 717 Potter Street, Berkeley, California, and modifies the terms and conditions of such Lease as follows:

Addition to Paragraph 4.4. Additional Rent -

If Tenant exercises the Expansion Option referred to in the Addendum to this Lease, the Tenant's obligation to pay Operating Expense will increase by 10 cents per rentable square foot per month. This increase will be effective on the date that the Expansion Space is substantially complete.

All other terms and conditions of the existing Fifth and Potter Street Associates, LLC Lease referred to herein shall remain in full force and effect except as specifically modified herein.

A fully executed copy of this First Amendment to Lease Agreement shall be attached to the original Fifth and Potter Street Associates, LLC Lease dated January 30, 1998.

FIFTH AND POTTER STREET ASSOCIATES, LLC	DYNAVAX TECHNOLOGIES CORPORATION
By:/s/Fifth And Potter Street Associates, LLC	By: /S/ Dino Dina
	Dino Dina, M.D. President & CEO
Date: 7/7/99	Date: JULY 6, 1999

Exhibit 10.10

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement (the "AGREEMENT") is dated as of July 1, 2000 by and between Dino Dina, President & CEO, Dynavax Technologies Corporation ("EMPLOYEE") and Dynavax Technologies Corporation., a California corporation (the "COMPANY" or "DYNAVAX").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, or as may otherwise be available in accordance with the terms of the Company's established employee plans and written

policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an involuntary termination by the Company without cause (ii) the date that all obligations of the parties hereunder have been satisfied, or (iii) two (2) years after a Change of Control. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON A CHANGE OF CONTROL; TERMINATION OF EMPLOYMENT.

(a) TREATMENT OF STOCK OPTIONS UPON A CHANGE OF CONTROL. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company, or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Equity Incentive Plan, as amended.

(b) INVOLUNTARY TERMINATION FOLLOWING A CHANGE OF CONTROL. In the event that Employee's employment is terminated as a result of an Involuntary Termination other than for Cause at any time within 24 months following the effective date of a Change of Control, then Employee will be entitled to receive immediate accelerated vesting pursuant to this Section 2(b), of all stock options to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the date of termination of employment.

(c) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment(s) for all salary, bonuses and unpaid vacation accrued as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(d) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment(s) for all salary and unpaid vacation accrued as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

3. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities WITHOUT the approval of the Board;

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall include any termination by the Company other than for Cause and Employee's voluntary termination following (i) a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in Employee's reporting relationship; (ii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iii) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

4. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or

written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

5. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

7. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefor to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement, although the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(k) COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Daniel Janney

Title: Chairman

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

DINO DINA

Signature: /s/ Dino Dina

Address: 6140 Buena Vista Avenue
Oakland, CA 94618

Exhibit 10.11

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement (the "AGREEMENT") is dated as of October 4, 2000 by and between Andrew Gengos, Vice President and Chief Business & Financial Officer, Dynavax Technologies Corporation ("EMPLOYEE") and Dynavax Technologies Corporation., a California corporation (the "COMPANY" or "DYNAVAX").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, or as may otherwise be available in accordance with the terms of the Company's established employee plans and written

policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an involuntary termination by the Company without cause (ii) the date that all obligations of the parties hereunder have been satisfied, or (iii) two (2) years after a Change of Control. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON A CHANGE OF CONTROL; TERMINATION OF EMPLOYMENT.

(a) TREATMENT OF STOCK OPTIONS UPON A CHANGE OF CONTROL. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company, or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended.

(b) INVOLUNTARY TERMINATION FOLLOWING A CHANGE OF CONTROL. In the event that Employee's employment is terminated as a result of an Involuntary Termination other than for Cause at any time within 24 months following the effective date of a Change of Control, then Employee will be entitled to receive immediate accelerated vesting pursuant to this Section 2(b), of all stock options to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the date of termination of employment.

(c) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment(s) for all salary, bonuses and unpaid vacation accrued as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(d) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment(s) for all salary and unpaid vacation accrued as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

3. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities WITHOUT the approval of the Board;

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall include any termination by the Company other than for Cause and Employee's voluntary termination following (i) a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in Employee's reporting relationship; (ii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iii) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

4. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or

written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

5. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

7. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement, although the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(k) COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

ANDREW GENGOS

Signature: /s/ Andrew Gengos

Address: 2167 Sky View Court
Moraga, CA 94556

Exhibit 10.12

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement (the "AGREEMENT") is dated as of November 17, 2000 by and between Robert Lee Coffman, Vice President and Chief Scientific Officer, Dynavax Technologies Corporation ("EMPLOYEE") and Dynavax Technologies Corporation., a California corporation (the "COMPANY" or "DYNAVAX").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, or as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be

employed as an executive corporate officer of the Company, other than as a result of an involuntary termination by the Company without cause (ii) the date that all obligations of the parties hereunder have been satisfied, or (iii) two (2) years after a Change of Control. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON A CHANGE OF CONTROL; TERMINATION OF EMPLOYMENT.

(a) TREATMENT OF STOCK OPTIONS UPON A CHANGE OF CONTROL. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company, or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended.

(b) INVOLUNTARY TERMINATION FOLLOWING A CHANGE OF CONTROL. In the event that Employee's employment is terminated as a result of an Involuntary Termination other than for Cause at any time within 24 months following the effective date of a Change of Control, then Employee will be entitled to receive immediate accelerated vesting pursuant to this Section 2(b), of all stock options to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the date of termination of employment.

(c) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment(s) for all salary, bonuses and unpaid vacation accrued as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(d) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment(s) for all salary and unpaid vacation accrued as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

3. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities WITHOUT the approval of the Board;

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall include any termination by the Company other than for Cause and Employee's voluntary termination following (i) a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in Employee's reporting relationship; (ii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iii) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

4. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

5. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

7. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of

such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement, although the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee.

(k) COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

ROBERT LEE COFFMAN

Signature: /s/ Robert Lee Coffman

Address: 239 Echo Lane
Portola Valley, CA 94025

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use of this Registration Statement on Form S-1 of our report dated November 2, 2000, except for Note 13 as to which the date is December , 2000 relating to the financial statements of Dynavax Technologies Corporation, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP
San Jose, California
December , 2000

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1,000

YEAR	9-MOS	
	DEC-31-1999	DEC-31-2000
	JAN-01-1999	JAN-01-2000
	DEC-31-1999	SEP-30-2000
	6,737	11,524
	1,742	16,136
	0	0
	0	0
	0	0
	351	533
	761	818
	0	0
	9,622	29,037
	2,196	1,682
	0	0
	24,079	49,223
	0	0
	0	0
	(16,820)	(21,897)
9,622	29,037	
	0	0
	450	1,493
	0	0
	7,445	8,354
	0	0
	0	0
	0	0
	(140)	(30)
	(0)	(0)
	0	0
	0	0
	0	0
	0	0
	(6,559)	(6,194)
	(4.50)	(11.21)
	(4.50)	(11.21)