

# ENDOCYTE, INC.

## CORPORATE GOVERNANCE PRINCIPLES

**Adopted as of November 10, 2010**

**As amended on April 9, 2012**

**As amended on April 18, 2013**

**As amended February 15, 2016**

These principles have been adopted by the Board of Directors (the “Board”) of Endocyte, Inc. (the “Company”) for the purpose of establishing the corporate governance policies pursuant to which the Board intends to conduct its oversight of the business of the Company in accordance with its fiduciary responsibilities.

### **1. Role of the Board**

The role of the Board is to oversee the performance of the chief executive officer (“CEO”) and other senior management and to assure that the best interests of stockholders are being served. To satisfy this responsibility, the directors are expected to take a proactive approach to their duties and function as active monitors of corporate management. Accordingly, the directors provide oversight in the formulation of the long term strategic, financial and organizational goals of the Company and of the plans designed to achieve those goals. In addition, the Board reviews and approves standards and policies to ensure that the Company is committed to achieving its objectives through the maintenance of the highest standards of responsible conduct and ethics and to assure that management carries out their day-to-day operational duties in a competent and ethical manner.

The day-to-day business of the Company is carried out by its employees, managers and officers, under the direction of the CEO and the oversight of the Board, to enhance the long term value of the Company for the benefit of stockholders. The Board and management also recognize that creating long term enterprise value is advanced by considering the interests and concerns of other stakeholders, including the Company’s employees, customers, creditors and suppliers as well as the community generally.

The Board understands that effective directors act on an informed basis after thorough inquiry and careful review, appropriate in scope to the magnitude of the matter being considered. The directors know their position requires them to ask probing questions of management and outside advisors. The directors also rely on the advice, reports and opinions of management, counsel and expert advisers. In doing so, the Board evaluates the qualifications of those it relies upon for information and advice and also looks to the processes used by managers and advisors in reaching their recommendations. In addition, the Board has the authority to hire outside advisors at the Company’s expense if it feels it is appropriate.

## **2. Selection of Chairman of the Board and CEO**

The Board shall fill the Chairman of the Board and CEO positions based upon the Board's view of what is in the best interests of the Company. The CEO and Chairman may, but need not be, the same person.

## **3. Lead Independent Director**

In order to facilitate communication between management and the outside Directors, in the event that the Chairman of the Board is not an independent Director, the Board should elect a "Lead Independent Director," who will have the responsibility to schedule and prepare agendas for meetings of outside Directors. The Lead Independent Director will communicate with the CEO, disseminate information to the rest of the Board in a timely manner and raise issues with management on behalf of the outside Directors when appropriate. All members of the Board are encouraged to communicate with the CEO. As long as the Chairman of the Board is an independent, non-employee director, the "Lead Independent Director" responsibility may be assigned to the Chairman.

## **4. Committees**

The Board has three committees: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. The Board will continue to delegate substantial responsibilities to each committee, and each committee should consist solely of independent directors, as defined by the rules of the NASDAQ Stock Market, Inc. ("NASDAQ Rules"), and in the case of the Audit Committee and the Compensation Committee as defined by the rules and regulations of the Securities and Exchange Commission ("SEC Rules"). The members of the committees shall also meet the other membership criteria specified in the respective charters for these committees. New committees may be formed as determined by the Board.

## **5. Assignment of Committee Members**

Committees should be appointed (or re-appointed), and chairs of each committee designated, by the full Board, upon recommendation by the Nominating and Corporate Governance Committee, periodically. While the composition of the committees of the Board should be looked at each year in making certain that these committees are not stagnant or without fair representation, it is the Board's belief that continuity of experience in the specific functions of these committees provides a significant benefit to the stockholders and to management.

## **6. Frequency and Length of Committee Meetings**

Each committee chairman, in consultation with committee members, will determine the frequency and length of meetings of his or her committee, considering all relevant factors such as the committee's mandate, nature of current committee business to be discussed and the like. Moreover, the committee chairmen should feel free to call additional committee meetings at times other than the scheduled meetings of the full Board.

## **7. Committee Charters and Agendas**

Each committee shall have its own charter, which will set forth the purpose, membership requirements, authority and responsibilities of the committee. Annually, the chairman of each committee should review the existing committee charter and determine, in consultation with the rest of the committee, whether any amendments are required. Committee charters should be within the scope of authority granted by the Board and should be approved by the Board. The chairman of the committee, in consultation with appropriate members of management and staff, should develop the overall annual agenda to the extent it can be foreseen. In addition, each committee chairman should prepare an agenda prior to each committee meeting and should consult with appropriate members of management for additional items which should be included in the agenda. Any committee of the Board is authorized to engage its own outside advisors at the Company's expense, including legal counsel or other consultants, as required, provided that the committee shall promptly advise the full Board of such engagement.

## **8. Code of Conduct, Conflicts of Interests, Related Party Transactions and Complaints Process**

The Nominating and Corporate Governance Committee shall periodically review and approve the Company's Code of Ethics and Business Conduct, which is applicable to directors, officers and employees; consider whether actual or potential conflicts of interest of Board members and corporate officers (including corporate opportunities) exist; and with the exception of related party transactions reviewed by the Audit Committee, approve or prohibit any involvement of such persons in matters that may involve a conflict of interest or corporate opportunity. Directors may be asked from time to time to leave a Board meeting when the Board is considering a transaction in which the director (or another organization in which the director is a director or officer) has a financial or other interest.

The Audit Committee shall review and approve any proposed related party transactions in compliance with the Company's policies and the NASDAQ rules including those proposed transactions involving an executive officer, director or 5% or greater stockholder of the Company, or any of their respective immediate family members or affiliates, for which the amount exceeds \$50,000. If a majority of the members of the Audit Committee have a conflict of interest with respect to a proposed transaction, other independent directors of the Board may approve the transaction. In approving or rejecting the transaction, the Audit Committee shall, among other things, consider relevant facts including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

The Audit Committee shall also establish the Company's procedures for handling complaints regarding accounting or auditing matters.

## **9. Board Meetings and Agenda Items**

The Board shall have no less than four regularly scheduled meetings each year at which it reviews and discusses leadership continuity, management development, management reports on the performance of the company, its plans and prospects, as well as more immediate issues facing the company. The Chairman of the Board (in consultation with the CEO if not the same person) will set the agenda for each Board meeting. Each Board member is free to suggest inclusion of items on the agenda. A representative from the Company's outside counsel should be available to attend Board meetings. The Board will review the Company's long-term strategic plans during at least one Board meeting per year.

## **10. Board Materials Distributed in Advance**

To the extent possible, information and data which is important to the Board's understanding of matters to be discussed at the meeting and the current status of the Company's business should be distributed in writing to the Board before the meeting to enable the directors to read and prepare for the meeting.

## **11. Board, Committee and Stockholder Meetings**

Directors are expected to prepare for, attend, and actively participate in all Board and committee meetings. As a general rule, preparation material on specific subjects should be sent to the Board members in advance so that the Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions when the subject matter is too sensitive to be distributed, the subject will have to be introduced at the meeting. The Company encourages, but does not require, directors to attend the annual meeting of stockholders.

## **12. Regular Attendance of Management at Board Meetings**

It is anticipated that certain members of management (e.g., the Chief Financial Officer and such other members of the executive staff as the CEO may from time to time designate) will attend Board meetings on a regular basis. Other members of management and staff will attend meetings and present reports from time to time. Specifically, the Board encourages management to schedule managers to be present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas. It is understood that Company personnel and others attending Board meetings may be asked to leave the meeting in order for the Board to meet in executive session.

## **13. Executive Sessions of Independent Directors and Audit Committee**

It is the policy of the Board to have separate meeting times for independent directors without management. Such meetings should be held following regularly scheduled meetings and at such other times as requested by an independent director. The Chairman of the Board or the Lead Independent Director shall preside at executive sessions.

In addition, the Audit Committee of the Board should meet periodically with the Company's outside auditors without management present at such times as it deems appropriate.

#### **14. Board Access to Company Employees**

Board members should have full access to members of management, either as a group or individually, and to Company information that they believe is necessary to fulfill their obligations as Board members. The directors should use their judgment to ensure that any such contact or communication is not disruptive to the business operations of the Company.

#### **15. Board Compensation Review**

The Compensation Committee should conduct an annual review of director compensation. This review will include input from the Company's Human Resources department in order to evaluate director compensation compared to other companies of like size in the industry. Any change in Board compensation should be approved by the full Board. Ownership of stock by the directors is encouraged.

#### **16. Size of the Board**

The size of the Board is established in accordance with the Company's Bylaws. The size of the Board may vary based upon the size of the business and the availability of qualified candidates. Board size should facilitate active interaction and participation by all Board members. The Nominating and Corporate Governance Committee and the Board will review from time to time the appropriateness of the size of the Board.

#### **17. Composition of Board**

As required by the NASDAQ Rules, there must be a majority of independent directors on the Board. The Board believes that the mix of Board members should provide a range of expertise and perspective in areas relevant to the Company's business.

#### **18. Board Definition of "Independence" for Directors**

A director shall be considered "independent" for purposes of serving on the Board if he or she meets the criteria for independence established by the NASDAQ Rules. The Board shall affirmatively determine the independence of each non-employee director and consider the relationships that each non-employee director has with the Company and all other facts and circumstances that the Board deems relevant in determining his or her independence. A Director shall be considered "independent" for purposes of serving on a Board committee based on the definition of independence used in that committee's charter, which shall conform to any requirements established for such a committee by the NASDAQ Rules and any applicable SEC Rules.

## **19. Board Membership Criteria and Selection**

In evaluating director candidates and annually when recommending a slate of directors for stockholder approval, the Nominating and Corporate Governance Committee should review the current composition of the Board, including issues of character, judgment, diversity, age, independence, corporate experience, length of service, understanding of the Company's business, other commitments and any specialized areas of expertise needed by the Board or any of its committees. With respect to incumbent directors, the Nominating and Corporate Governance Committee shall consider the directors' past performance on the Board and contributions to the committees on which he or she serves. Although the Board does not have a policy requiring the consideration of diversity as a principal factor in identifying director candidates, the committee is expected to evaluate a candidate's background, age, education, professional accomplishments and experiences and the effect that the candidate's election would have on the composition of the Board as a whole. Selection of new directors requires recommendation of a candidate by the Nominating and Corporate Governance Committee to the full Board, which has responsibility for naming new members in the event of a vacancy or expansion of the Board between annual meetings of stockholders.

Directors must limit the total number of public company boards on which they serve to five in order to facilitate effective service on the Company's Board, except that the Chief Executive Officer and any non-employee director who serves as the chief executive officer of a public company must limit the total number of public company boards on which they serve to three. Directors should advise the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on another public company board.

The Nominating and Corporate Governance Committee will consider director nominees recommended by stockholders. A stockholder who wishes to recommend a director candidate to the Nominating and Corporate Governance Committee should send such recommendation to the Company's Corporate Secretary at 8910 Purdue Road, Suite 250, Indianapolis, Indiana 46268, who will forward it to the Committee. Any such recommendation should include a description of the candidate's qualifications for Board service, the candidate's written consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the stockholder and the candidate for more information.

## **20. Notifying a Director of Non-Inclusion on a Proposed Slate of Directors**

Any proposal to decrease the size of the Board, or to substitute a new director for an existing director, should be made first by the Nominating and Corporate Governance Committee, then approved by the full Board. After receipt of a recommendation from the Nominating and Corporate Governance Committee, the Chairman of the Board or the Lead Independent Director should notify the director of such recommendation prior to the meeting of the Board at which the slate of nominees is proposed to be approved.

## **21. Assessing Board and Committee Performance**

The Nominating and Corporate Governance Committee should establish an annual process for the Board and each committee to conduct an assessment of its performance during the prior year. This assessment should focus on areas in which the Board or the committees believe contributions can be made going forward to increase the effectiveness of the Board or the committees. Each committee and the full Board will consider and discuss the findings of the assessments.

## **22. Annual Election of Directors**

Directors shall be subject to election at the annual meeting of stockholders in accordance with the terms of service specified in the Company's certificate of incorporation. However, the Board may fill vacancies or add new directors at any time as provided in the Company's charter documents.

## **23. Director Orientation and Continuing Education**

Meetings of the Board shall be designed to provide orientation for new directors to assist them in understanding the Company's business as well as an introduction to the Company's senior management. Further, the Company encourages directors to participate in continuing education programs focused on the Company's business and industry, committee roles and responsibilities and legal and ethical responsibilities of board members. The Company shall reimburse the directors for customary and reasonable expenses incurred in connection with their participation in such continuing education programs.

## **24. Formal Evaluation and Compensation of the CEO and Other Executive Officers**

The formal evaluation of the CEO and the other executive officers should be made in the context of the annual compensation review by the Compensation Committee, with appropriate input from other Board members, and should be communicated to the CEO by the Chairman of the Board or the Lead Independent Director and the chairman of the Compensation Committee. The evaluation should be based on objective criteria, including performance of the business and accomplishment of long-term strategic objectives and annual operating plan performance in accordance with the principles and criteria established by the Compensation Committee. Ownership of stock by the CEO and other executive officers is encouraged and will be reviewed by the Board.

## **25. Succession Planning**

The Nominating and Corporate Governance Committee, in consultation with the full Board, is primarily responsible for CEO succession planning. In addition, it shall monitor management's succession plans for other key executives. Succession planning can be critical in the event the CEO or other key executives should cease to serve for any reason, including resignation or unexpected disability. In addition, however, the Board believes that establishment of a strong management team is the best way to prepare for an unanticipated executive departure.

## **26. Management Development**

In addition to its responsibilities related to executive succession planning, the Nominating and Corporate Governance Committee shall confer with the CEO to encourage management's employee development programs.

## **27. Board Interaction with Third Parties**

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with knowledge of management and, in most instances, only at the request of management.

Third parties may contact the Board, the non-management directors or any individual director in writing by addressing the correspondence to: Corporate Secretary, Endocyte, Inc. 8910 Purdue Road, Suite 250, Indianapolis, Indiana 46268. The Corporate Secretary will distribute the communications to the appropriate directors. The Board may also be reached electronically through the Investor Relations website, [www.endocyte.com](http://www.endocyte.com).

Third party communications unrelated to the duties and responsibilities of the Board, such as product inquiries, resumes, surveys and advertisements, generally will not be forwarded to the directors. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded with the provision that any communication that is so filtered out must be made available to any non-management director upon request.

The Company's directors should not accept any gift of value that indicates an intent to influence improperly the normal business relationship between the Company and any supplier, customer or competitor.

## **28. Formulation of Strategy**

The Board should provide oversight to management in formulating corporate strategy.

## **29. Periodic Review of Guidelines**

The Nominating and Corporate Governance Committee and the Board should review these guidelines no less than annually.