VERSARTIS, INC.

FORM 10-Q
(Quarterly Report)

Filed 11/04/16 for the Period Ending 09/30/16

Address	4200 BOHANNON DRIVE SUITE 250 MENLO PARK, CA 94025
Telephone	6509638580
CIK	0001513818
Symbol	VSAR
SIC Code	2834 - Pharmaceutical Preparations
Industry	Biotechnology & Medical Research
Sector	Healthcare
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _____to _____

Commission file number: 001-36361

Versartis, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**2834**	**26-4106690**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

4200 Bohannon Drive, Suite 250
Menlo Park, California 94025
(650) 963-8580
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period than the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of November 2, 2016, there were 34,795,987 outstanding shares of common stock, par value $0.0001 per share, of Versartis, Inc.

VERSARTIS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED September 30, 2016

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VERSARTIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except share and per share data)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ 160,434	$ 182,069
Prepaid expenses	3,414	2,542
Other current assets	49	—
Total current assets	163,897	184,611
Other assets	992	327
Property and equipment, net	319	389
Total assets	165,208	185,327
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 1,700	$ 1,671
Accrued liabilities	12,507	7,156
Upfront payment from collaboration partner (Note 6)	40,000	—
Total liabilities	54,207	8,827
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock, $0.0001 par value, 50,000,000 shares authorized at September 30, 2016 and December 31, 2015; 29,609,442 and 29,420,247 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	3	3
Additional paid-in capital	378,420	369,933
Accumulated other comprehensive loss	(302)	—
Accumulated deficit	(267,120)	(193,436)
Total stockholders' equity	111,001	176,500
Total liabilities and stockholders’ equity	$ 165,208	$ 185,327

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

VERSARTIS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating expenses				
Research and development	$ 20,664	$ 15,400	$ 55,253	$ 44,440
General and administrative	6,752	5,124	18,575	17,861
Total operating expenses	27,416	20,524	73,828	62,301
Loss from operations	(27,416)	(20,524)	(73,828)	(62,301)
Interest income	120	54	354	168
Other income (expense), net	(39)	91	(210)	81
Net loss	$ (27,335)	$ (20,379)	$ (73,684)	$ (62,052)
Net loss per share - basic and diluted	$ (0.92)	$ (0.69)	$ (2.50)	$ (2.15)
Weighted-average common shares used to compute basic and diluted net loss per share	29,574	29,354	29,495	28,825

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

VERSARTIS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	$ (27,335)	$ (20,379)	$ (73,684)	$ (62,052)
Other comprehensive loss:				
Cumulative foreign currency translation adjustment	—	—	(1)	—
Unrealized loss on cash flow hedge	(96)	—	(301)	—
Comprehensive loss	$ (27,431)	$ (20,379)	$ (73,986)	$ (62,052)

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

VERSARTIS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2016	**2015**
Cash flows from operating activities		
Net loss	$ (73,684)	$ (62,052)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	161	174
Stock-based compensation expense	8,028	8,491
Changes in assets and liabilities		
Prepaid expenses and other assets	(1,539)	7
Accounts payable	29	(119)
Accrued and other liabilities	5,007	582
Upfront payment from collaboration partner	40,000	—
Net cash used in operating activities	(21,998)	(52,917)
Cash flows from investing activities		
Purchase of property and equipment	(90)	(4)
Net cash used in investing activities	(90)	(4)
Cash flows from financing activities		
Proceeds from issuance of common stock in follow-on offering, net of issuance costs	—	80,208
Proceeds from issuance of common stock in connection with employee benefit plans	453	161
Net cash provided by financing activities	453	80,369
Net increase (decrease) in cash and cash equivalents	(21,635)	27,448
Cash and cash equivalents at beginning of period	182,069	170,566
Cash and cash equivalents at end of period	$ 160,434	$ 198,014
Supplemental disclosure		
Supplemental disclosure of noncash items		
Public offering issuance costs	$ 346	$ —

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

1. Formation and Business of the Company

Versartis, Inc. (the "Company") was incorporated on December 10, 2008 in the State of Delaware. The Company is an endocrine-focused biopharmaceutical company initially developing long-acting recombinant human growth hormone for the treatment of growth hormone deficiency. The Company is developing drug candidates that it has licensed from Amunix Operating Inc. ("Amunix").

The Company's headquarters and operations are in Menlo Park, California. Since incorporation, the Company has been primarily performing research and development activities, including clinical trials, filing patent applications, obtaining regulatory approvals, hiring personnel, and raising capital to support and expand these activities.

Unaudited Interim Financial Information

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of September 30, 2016, its results of operations for the three- and nine-month periods ended September 30, 2016, and 2015, comprehensive loss for the three- and nine-month periods ended September 30, 2016 and 2015, and cash flows for the nine months ended September 30, 2016, and 2015. The December 31, 2015 condensed consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America, or GAAP. The results for interim periods are not necessarily indicative of the results for the entire year or any other interim period. The accompanying condensed consolidated financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2015 included in the Company's annual report on Form 10-K filed on March 8, 2016 with the U.S. Securities and Exchange Commission ("SEC").

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of the accompanying condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

The accompanying condensed consolidated financial position as of September 30, 2016 and as of December 31, 2015, results of operations and statements of comprehensive loss for the three- and nine-month periods ended September 30, 2016 and 2015, and cash flows for the nine months ended September 30, 2016 and 2015 include the accounts of Versartis, Inc. and its wholly-owned subsidiaries, Versartis Cayman Holdings Company and Versartis GmbH. All intercompany accounts and transactions have been eliminated. The U.S. dollar is the functional currency for all of the Company's consolidated operations, with the exception of Versartis GmbH, which utilizes the euro.

As of September 30, 2016, the Company had cash and cash equivalents balance of $160.4 million consisting of cash and investments in highly liquid U.S. money market funds. The Company believes that its existing cash and cash equivalents will be sufficient to sustain operations for at least the next 12 months based on its existing business plan. While the Company expects additional proceeds if certain clinical and regulatory milestones are met under the Teijin Agreement (see Note 6), if the Company's potential Phase 3 clinical trials are successful, the Company will need to raise additional capital in order to further advance its product candidates towards regulatory approval and potential commercialization. Since inception, the Company has incurred net losses and negative cash flows from operations. At September 30, 2016, the Company had an accumulated deficit of $267.1 million and working capital of $109.7 million. The Company expects to continue to incur losses from costs related to the continuation of research and development and administrative activities for the foreseeable future. Although management has been successful in raising capital in the past, most recently $59.2 million in October and November 2016, there can be no assurance that the Company will be successful or that any needed financing will be available in the future at terms acceptable to the Company.

Segments

The Company operates in one segment. Management uses one measurement of profitability and does not segregate its business for internal reporting. All long-lived assets are maintained in the United States of America.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents. All of the Company's cash and cash equivalents are held at multiple financial institutions that management believes are of high credit quality. Such deposits may, at times, exceed federally insured limits.

The Company enters into forward foreign currency contracts that expose it to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. The Company does, however, seek to mitigate such risks by limiting its counterparties to major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored. Management does not expect material losses as a result of defaults by counterparties.

Derivative Financial Instruments

The Company engages in transactions denominated in foreign currencies and, as a result, is exposed to changes in foreign currency exchange rates. To manage the volatility resulting from fluctuating foreign currency exchange rates, the Company enters into option and forward foreign currency exchange contracts.

The Company accounts for its derivative instruments as either assets or liabilities on the balance sheet and measures them at fair value. The Company assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows of the hedged items. If the Company determines that a forecasted transaction is no longer probable of occurring, it discontinues hedge accounting for the affected portion of the hedge instrument, and any related unrealized gain or loss on the contract is recognized in other comprehensive income (expense).

Risk and Uncertainties

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, but are not limited to, uncertainty of results of clinical trials and reaching milestones, uncertainty of regulatory approval of the Company's potential drug candidates, uncertainty of market acceptance of the Company's products, competition from substitute products and larger companies, securing and protecting proprietary technology, strategic relationships and dependence on key individuals and sole source suppliers.

Products developed by the Company require clearances from the U.S. Food and Drug Administration ("FDA"), the Pharmaceuticals Medicines and Devices Agency ("PMDA"), or other international regulatory agencies prior to commercial sales. There can be no assurance that the products will receive the necessary clearances. If the Company was denied clearance, clearance was delayed or the Company was unable to maintain clearance, it could have a materially adverse impact on the Company.

The Company expects to incur substantial operating losses for the next several years and will need to obtain additional financing in order to launch and commercialize any product candidates for which it receives regulatory approval. Even though the Company expects additional proceeds if certain clinical and regulatory milestones are met under the Teijin Agreement, there can be no assurance that such additional financing will be available at all, or at terms acceptable to the Company.

Cash and C ash E quivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At September 30, 2016 and December 31, 2015 the Company's cash and cash equivalents were held in multiple institutions in the United States and Europe and included deposits in money market funds which were unrestricted as to withdrawal or use.

Property and E quipment, Net

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally between three and five years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful life or the term of the lease. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized.

When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by the comparison of the carrying amount to the undiscounted future net cash flows that the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value (i.e. determined through estimating projected discounted future net cash flows or other acceptable methods of determining fair value) arising from the asset. There have been no such impairments of long-lived assets as of September 30, 2016 or December 31, 2015.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

Level I	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level II	Inputs other than quoted prices included within Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
Level III	Unobservable inputs that are supported by little or no market activity for the related assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company’s financial instruments consist of Level I and Level II assets. Level I securities are comprised of highly liquid money market funds. Level II assets consist of its foreign currency derivative contracts.

The Company’s foreign currency derivative contracts have maturities over a 12-month time horizon and is with a counterparty that has a minimum credit rating of A- or equivalent by Standard & Poor's, Moody's Investors Service, Inc. or Fitch, Inc.

Preclinical and Clinical Trial Accruals

The Company’s clinical trial accruals are based on estimates of patient enrollment and related costs at clinical investigator sites as well as estimates for the services received and efforts expended pursuant to contracts with multiple research institutions and clinical research organizations (“CROs”) that conduct and manage clinical trials on the Company’s behalf.

The Company estimates preclinical and clinical trial expenses based on the services performed, pursuant to contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on its behalf. In accruing service fees, the Company estimates the time period over which services will be performed and the level of patient enrollment and activity expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust the accrual accordingly. Payments made to third parties under these arrangements in advance of the receipt of the related services are recorded as prepaid expenses until the services are rendered.

Research and D evelopment

Research and development costs are charged to operations as incurred. Research and development costs include, but are not limited to, payroll and personnel expenses, laboratory supplies, consulting costs, external research and development expenses and allocated overhead, including rent, equipment depreciation, and utilities. Costs to acquire technologies to be used in research and development that have not reached technological feasibility and have no alternative future use are expensed to research and development costs when incurred.

Income T axes

The Company accounts for income taxes under the asset and liability approach. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company assesses all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position's sustainability and is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and the Company will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available.

Stock-Based C ompensation

For stock options granted to employees, the Company recognizes compensation expense for all stock-based awards based on the grant-date estimated fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The fair value of stock options is determined using the Black-Scholes option pricing model. The determination of fair value for stock-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Stock-based compensation expense related to stock options granted to nonemployees is recognized based on the fair value of the stock options, determined using the Black-Scholes option pricing model, as they are earned. The awards generally vest over the time period the Company expects to receive services from the nonemployee.

Stock-based compensation expense, net of estimated forfeitures, is reflected in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating Expenses				
Research and development	$ 1,005	$ 779	$ 2,608	$ 2,016
General and administrative	1,646	1,487	5,420	6,475
Total	$ 2,651	$ 2,266	$ 8,028	$ 8,491

Comprehensive Loss

Comprehensive loss is defined as a change in equity of a business enterprise during a period, resulting from transactions from non-owner sources. Specifically, the Company includes cumulative foreign currency translation adjustments and net unrealized gains and losses on effective cash flow hedges.

Net Loss per Share of Common Stock

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, stock options, restricted stock units and shares issued under our Employee Stock Purchase Plan are considered to be potentially dilutive securities. Because the Company has reported a net loss for all of the periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

Recent Accounting Prono uncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by us as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective is not expected to have a material impact on the Company's financial position or results of operations upon adoption.

In August 2016, the FASB issued guidance to simplify elements of cash flow classification. The guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The new guidance requires cash payments for debt prepayment or debt extinguishment costs to be classified as cash outflows for financing activities. It also requires cash payments made soon after an acquisition's consummation date (approximately three months or less) to be classified as cash outflows for investing activities. Payments made thereafter should be classified as cash outflows for financing activities up to the amount of the original contingent consideration liability. Payments made in excess of the amount of the original contingent consideration liability should be classified as cash outflows for operating activities. The guidance is required to be applied by the Company in the first quarter of 2018, but early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, Compensation – Stock Compensation (Topic 718) ("ASU 2016-09"), which simplified certain aspects of the accounting for share-based payment transactions, including income taxes, classification of awards and classification in the statement of cash flows. ASU 2016-09 will be effective for the Company beginning in its first quarter of 2018. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial condition, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU is a comprehensive new leases standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. The new standard requires that all lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements.

The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The ASU is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years, and earlier adoption is permitted. In the financial statements in which the ASU is first applied, leases shall be measured and recognized at the beginning of the earliest comparative period presented with an adjustment to equity. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial condition, results of operations and cash flows.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes , which requires all deferred income tax assets and liabilities to be classified as noncurrent on the balance sheet. The new standard is effective for annual reporting periods beginning after December 15, 2016 with early adoption permitted. The Company is currently evaluating the impact of adoption and will apply the guidance and disclosure provisions of the new standard upon adoption.

In August 2014, the FASB issued new guidance related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, ending after December 15, 2016. The Company will apply the guidance and disclosure provisions of the new standard upon adoption in its 2016 annual consolidated financial statements.

In May 2014, the FASB issued a new accounting standard that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. The new revenue recognition standard and clarifying standards are effective for interim and annual periods beginning on January 1, 2018, and may be adopted earlier, but not before January 1, 2017. The revenue standards are required to be adopted by taking either a full retrospective approach or a modified retrospective approach. We are currently evaluating the impact that the revenue standards will have on our consolidated financial statements and determining the transition method that we will apply.

3. Balance Sheet Components

Prepaid expenses (in thousands)

	September 30, 2016	December 31, 2015
Preclinical and clinical (1)	$ 2,866	$ 1,770
Other	548	772
Total	$ 3,414	$ 2,542

(1) These prepayments consist primarily of advances to the Company's contract manufacturers and contract research organizations

Accrued Liabilities (in thousands)

	September 30, 2016	December 31, 2015
Payroll and related	$ 3,107	$ 2,296
Preclinical and clinical	8,298	4,376
Professional services	732	69
Other	370	415
Total	$ 12,507	$ 7,156

4. Fair Value Measurements

The Company's financial instruments consist principally of cash and cash equivalents, prepaid expenses, foreign currency exchange contracts, accounts payable and accrued liabilities. The remaining financial instruments are reported on the Company's Condensed Consolidated Balance Sheets at amounts that approximate current fair value. The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	Fair Value Measurements at September 30, 2016 (unaudited)			
	Total	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 85,838	$ 85,838	$ —	$ —
Foreign currency derivative contracts	49	—	49	—
	$ 85,887	$ 85,838	$ 49	$ —

	Fair Value Measurements at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 132,647	$ 132,647	$ —	$ —
Foreign currency derivative contracts	—	—	—	—
	$ 132,647	$ 132,647	$ —	$ —

5. Derivative Financial Instruments

The Company's operations in foreign countries expose it to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which is the Euro. In order to manage this risk, the Company hedges a portion of its foreign currency exposures related to certain forecasted operating expenses using foreign currency exchange forward or option contracts. In general, the market risk related to these contracts is offset by corresponding gains and losses on the hedged transactions. By working only with major financial institutions and closely monitoring current market conditions, the Company seeks to limit its counterparty risk to these contracts. Therefore, the Company's overall risk of loss in the event of a counterparty default is exposed to the currency risk. The Company does not enter into derivative contracts for trading or speculative purposes.

The Company hedges its exposure to foreign currency exchange rate fluctuations for forecasted operating expenses that are denominated in a non-functional currency. The derivative instruments the Company uses to hedge this exposure are designated as cash

flow hedges and have maturity dates of 12 months or less. Upon executing a hedging contract and quarterly thereafter, the Company assesses both retrospective and prospective hedge effectiveness using regression analysis to as sert the hedge is highly effective at offsetting changes in cash flow. The Company includes time value in its effectiveness assessment and recognizes any ineffectiveness in other income (expense). The effective component of the Company's hedge is recorded in accumulated other comprehensive income (OCI) within stockholders' equity and subsequently reclassified into earnings when the hedged exposure affects earnings. Derivatives not designated as hedges are not speculative and are used to manage the Company 's economic exposure to foreign exchange rate movements but do not meet the strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. Substantially all of the gains and losses related to the hedged forecasted transaction reported in accumulated other comprehensive income at September 30, 2016 are expected to be reclassified to research and development expenses within the next 12 months.

The cash flow effects of the Company's derivative contracts for the nine months ended September 30, 2016 are included within net cash provided by operating activities in the condensed consolidated statements of cash flows.

The Company had notional amounts outstanding on foreign currency exchange contracts of 9.1 million euros (a purchased call option on the Euro) at September 30, 2016 and none outstanding at December 31, 2015.

While all of the Company's derivative contracts allow it the right to offset assets or liabilities, the Company has presented amounts on a gross basis. Under the International Swap Dealers Association, Inc. master agreements with the respective counterparties of the foreign currency exchange contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. The Company does not have any credit contingent features associated with its derivatives.

The following table summarizes the classification and fair values of derivative instruments on the Company's condensed consolidated balance sheets included within other current assets at September 30, 2016 (none outstanding at December 31, 2015) (in thousands):

	September 30, 2016			
	Asset Derivatives		Liability Derivatives	
	Classification	Fair Value	Classification	Fair Value
Derivatives designated as hedges:				
Foreign currency exchange contracts	Other current assets	$ 49	Other accrued liabilities	$ —
Total derivatives		$ 49		$ —

The following table summarizes the effect of our foreign currency exchange contracts on the Company's condensed consolidated financial statements (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Derivatives designated as hedges:			—	
Gains (losses) recognized in accumulated OCI (effective portion)	$ (87)	$ —	$ (237)	$ —
Gains (losses) reclassified from accumulated OCI into operating expenses (effective portion)	$ 10	$ —	$ 64	$ —
Gains (losses) recognized in other income (expense), net (ineffective portion and amounts excluded from effectiveness testing)	$ —	$ —	$ —	$ —
Derivatives not designated as hedges:				
Gains (losses) recognized in other income (expense), net	$ (32)	$ —	$ (80)	$ —

From time to time, the Company may discontinue cash flow hedges and as a result, record related amounts in other income (expense), net on its condensed consolidated statements of operations. The Company did not record any amounts in other income (expense), net for the three and nine- months ended September 30, 2016 as a result of the discontinuance of cash flow hedges.

As of September 30, 2016, the Company held one derivative contract related to a foreign currency exchange contract (a purchased call option on the Euro) and the derivative was in an asset position at the end of the period.

6. Teijin Agreement

In August 2016, the Company, entered into an Exclusive License and Supply Agreement (the "Agreement") with Teijin Limited, or Teijin, a pharmaceutical company based in Japan, pursuant to which the Company granted to Teijin an exclusive license to develop, use, sell, offer for sale, import, and otherwise commercialize, in Japan, any pharmaceutical product incorporating somavaratan (VRS-317) , while Versartis retains exclusive rights to somavaratan in the rest of the world. In exchange for such rights, the Company received an upfront payment of $40.0 million from Teijin, as well as the potential to receive a development milestone of $35.0 million, regulatory milestones of up to $55.0 million, and sales milestones of up to $35.0 million, in addition to sales based payments.

Under the Agreement, the development and commercialization of somavaratan products in Japan will be overseen by a joint steering committee composed of representatives of Teijin and the Company. Versartis will be responsible for completing (at the Company's expense) all ongoing clinical studies, including the current pediatric Growth Hormone Deficiency (GHD) Phase 2/3 trial, and its related long-term safety study, and the Company will also be responsible for a portion of the costs associated with any additional trials, if they are required by the Japanese authorities for approval of the Marketing Authorization Application, or MAA, in Japan in the pediatric indication, up to a cap on our share of such costs of $5.0 million. Following the MAA submission in Japan, Teijin will be responsible for conducting any additional Japanese studies for the pediatric or any other indications, at its own expense.

The Company is required, under the Agreement, to supply Teijin with its clinical and commercial requirements for product for Japan. In exchange for delivering finished product for commercial use, the Company will receive a combination of a running royalty and transfer pricing based upon net sales of the product in Japan, in a percentage ranging from the high-20s to mid-30s.

The Agreement continues until the earlier of (i) twelve years after the first commercial sale of a licensed product in Japan, or (ii) the expiration of certain Versartis patents, unless terminated earlier by mutual agreement of the parties. The initial term of the Agreement is subject to automatic extension for three three-year terms, unless otherwise mutually agreed. The Agreement may be earlier terminated by either party for the other party's uncured material breach or insolvency. In addition, Teijin may terminate the Agreement without cause upon six months' advance notice prior to the sale of a licensed product, and upon twelve months' notice thereafter.

The Company has recorded the $40 million upfront payment received from Teijin as a component of other current liabilities under the caption "Upfront payment from collaboration partner." The Company concluded that the evidence of arrangement criteria pursuant to SEC Staff Accounting Bulletin No. 104 Revenue Recognition and applicable authoritative guidance has not been met as of September 30, 2016. The Company's analysis of the revenue recognition criteria will be completed upon the establishment and completion of the terms of a Commercial Supply Agreement with Teijin governing the supply of finished product to Teijin, as contemplated in the Agreement.

7. Commitments and Contingencies

Facility Leases

In March 2014, the Company entered into an operating facility lease agreement to lease 12,943 square feet in Menlo Park, California for its new headquarters building for a period of thirty-nine months. The total obligation for the Company under this lease is approximately $0.7 million as of September 30, 2016.

In December 2015, the Company entered into an operating sublease agreement to lease 10,891 square feet of additional office space in Menlo Park for a period of twenty-four months. The sublease date began January 1, 2016 and the total obligation under this sublease for the Company is approximately $0.7 million as of September 30, 2016.

Owen Mumford Manufacture and Supply Agreement

In May 2016, the Company entered into a Manufacture and Supply Agreement with Owen Mumford Limited, a leading medical device manufacturer, pursuant to which the Company engaged Owen Mumford to: (1) manufacture a proprietary disposable autoinjector device and (2) assemble and supply a final combination product including the device and somavaratan (VRS-317), its proprietary long-acting form of human growth hormone. The Company will supply somavaratan in prefilled syringes to Owen Mumford for incorporation into the final combination product.

Under the agreement, Owen Mumford agrees to manufacture the autoinjector device used in the product exclusively for the Company in the field of human growth hormone deficiency treatment, subject to a minimum purchase obligation. The Company is

required to purchase its entire requirement of the final combination product from Owen Mumford, except that after a specified time period after regulatory approval in the European Union ("EU") , the Company may purchase from third parties a portion of its requirement for the European Economic Area. In addition, after a specified time period after regulatory approval in any major jurisdiction, the Company is required to purchase from Owen Mumfor d a minimum quantity of the product in each year. If the Company does not purchase such minimum quantity, it may pay a shortfall payment to Owen Mumford to maintain the scope of its exclusivity. If the Company fails to purchase the minimum and decline to pay the shortfall payment, the exclusivity will be limited to long-acting human growth hormone products. The agreement also includes customary terms and conditions relating to forecast, ordering, delivery, inspection and acceptance, among other matters.

The initial term of the agreement continues until ten (10) years after the Company's acceptance of the first shipment of the final combination product, and may be renewed for an additional time period by mutual agreement of the parties. The agreement may be earlier terminated by either party for the other party's uncured material breach or insolvency. In addition, either party may terminate the agreement without cause upon twelve (12) months advance notice. If terminated by Owen Mumford without cause, Owen Mumford must continue to supply the autoinjector device and assemble the final combination product until the Company is able to identify, appoint, and qualify through all necessary regulatory approvals an alternate manufacturer.

8. Stockholders' Equity

Equity Incentive Plans

The Company's Board of Directors, or Board, and stockholders previously approved the 2014 Equity Incentive Plan, or the 2014 Plan, which became effective on March 21, 2014. As of September 30, 2016, the total number of shares of common stock available for issuance under the 2014 Plan was approximately 1,118,000. Unless the Board provides otherwise, beginning on January 1, 2015, and continuing until the expiration of the 2014 Plan, the total number of shares of common stock available for issuance under the 2014 Plan will automatically increase annually on January 1 by 4.5% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year. As of September 30, 2016, approximately 4,911,000 shares of common stock were subject to outstanding awards under the 2014 Plan.

In March 2014, the Board and stockholders approved the 2014 Employee Stock Purchase Plan, or the ESPP, which became effective as of March 5, 2014. The Company initially reserved a total of 150,000 shares of common stock for issuance under the ESPP. Unless the Board provides otherwise, beginning on January 1, 2015, and continuing until the expiration of the ESPP, the total number of shares of common stock available for issuance under the ESPP will automatically increase annually on January 1 by the lesser of (i) 1% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year, or (ii) 300,000 shares of common stock. As of September 30, 2016, the Company has issued approximately 109,000 shares of common stock under the ESPP.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss by component (in thousands):

	Foreign Currency Items	Unrealized Gains and Losses on Cash Flow Hedges	Total
Balance at December 31, 2015	$ —	$ —	$ —
Other comprehensive loss before reclassifications	(1)	(237)	(238)
Amounts reclassified from accumulated other comprehensive loss	—	(64)	(64)
Net current period other comprehensive loss	(1)	(301)	(302)
Balance at September 30, 2016	$ (1)	$ (301)	$ (302)

Amounts reclassified for gains (losses) on cash flow hedges are recorded as part of net loss on our condensed consolidated statements of operations.

9 . Net loss per share of Common Stock

The following table summarizes the computation of basic and diluted net loss per share of the Company (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	$ (27,335)	$ (20,379)	$ (73,684)	$ (62,052)
Weighted-average shares used to compute basic and diluted net loss per share	29,574	29,354	29,495	28,825
Basic and diluted net loss per common share	$ (0.92)	$ (0.69)	$ (2.50)	$ (2.15)

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing the net loss per common share by the weighted-average number of common shares and dilutive common stock equivalents outstanding for the period, determined using the treasury-stock method and the as-if converted method, for convertible securities, if inclusion of these is dilutive. Because the Company has reported a net loss for all periods presented, diluted net loss per share is the same as basic net loss per common share for those periods.

The following potentially dilutive securities outstanding at the end of the periods presented have been excluded from the computation of diluted shares outstanding as the effect would be anti-dilutive:

	September 30,	
	2016	2015
Options to purchase common stock	4,430,010	3,225,616
Restricted stock units	481,385	277,630

10. Subsequent Event

In October and November 2016, the Company completed a public offering of shares of its common stock, pursuant to which the Company issued 5,176,545 shares of common stock, which includes shares issued pursuant to the underwriters' partial exercise of their over-allotment option, and received net proceeds of approximately $59.2 million, after underwriting discounts, commissions and estimated offering expenses.

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

You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2015, included in our annual report on Form 10-K filed on March 8, 2016 with the U.S. Securities and Exchange Commission (SEC).

Special note regarding forward-looking statements

This report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "seek," "should," "strategy," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included under Part II, Item 1A below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Versartis, Inc. (the "Company" "We" "Our") is an endocrine-focused biopharmaceutical company initially developing a novel long-acting form of recombinant human growth hormone, somavaratan (VRS-317), for growth hormone deficiency, or GHD, an orphan disease. A key limitation to current recombinant human growth hormone, or rhGH, products is that they impose the burden of daily injections over multiple years, often resulting in poor adherence, which in turn can lead to suboptimal treatment outcomes in GHD patients. Despite this limitation, global annual sales from currently marketed rhGH products have grown to more than $3 billion in 2015. Based on market research, we believe that the market for rhGH products can continue to grow up to $4 billion following the launch of long-acting rhGH therapies.

Somavaratan is a fusion protein consisting of rhGH and a proprietary half-life extension technology known as XTEN ®. Somavaratan is intended to reduce the burden of daily treatment by requiring significantly fewer dosing events and injections, potentially improving adherence and, therefore, treatment outcomes. Accordingly, we believe somavaratan may take significant market share.

We in-license rights to the XTEN technology from Amunix Operating, Inc., or Amunix, which has granted us an exclusive license under its patents and know-how related to the XTEN technology to develop and commercialize up to four licensed products, including somavaratan. Once we begin commercializing a licensed product, we will owe to Amunix a royalty on net sales of the licensed products until the later of the expiration of all licensed patents or ten years from the first commercial sale in the relevant country. The royalty payable is one percent of net sales for the first two marketed products, but higher single-digit royalties are payable if we market additional products, or if we substitute one marketed product for another. If we elect to substitute one marketed product for another, in addition to royalties, we would also be required to make milestone and other payments totaling up to $40.0 million per marketed product.

In August 2016, we and our wholly-owned subsidiary, Versartis GmbH, entered into an Exclusive License and Supply Agreement with Teijin Limited, or Teijin, pursuant to which we granted to Teijin our exclusive license to develop, use, sell, import or otherwise commercialize in Japan any pharmaceutical product incorporating somavaratan. In exchange for such rights, we received a $40.0 million upfront payment from Teijin, and we may receive a development milestone of $35.0 million, regulatory milestones of up to $55.0 million, sales milestones of up to $35.0 million, and royalty payments.

Pediatric GHD

Our first indication for somavaratan is pediatric GHD, which represents an approximately $1.5 billion existing market opportunity. We have completed the Phase 2a stage of our pediatric GHD clinical trial, have analyzed 30 months of safety and efficacy data from our ongoing Long-term Safety Study, also known as our VISTA Study, in pediatric patients and have received feedback from various authorities, including the Food and Drug Administration, or FDA, and the European Medicines Agency, or EMA, providing guidance on the design of our Phase 3 clinical trial. In early 2015, we initiated a pediatric GHD Phase 3 registration trial, which we refer to as the VELOCITY trial, and completed enrollment at U.S., Canadian and European sites in August 2016. We

also conti nue to administer somavaratan to patients enrolled in our ongoing VISTA Study, which includes rollover patients who have completed the Phase 2a trial and the VELOCITY trial, as well as new treatment-naïve patients. In September 2016, we completed the Phas e 2 portion of our pediatric GHD Phase 2/3 registration trial in Japan and have initiated enrollment in the Phase 3 portion of this study following a successful End-of-Phase 2 meeting with Japan's Pharmaceuticals and Medical Devices Agency, or PMDA.

Adult GHD

In September 2015 we initiated an adult GHD Phase 2 trial, which we refer to as the VITAL trial. We completed enrollment in the VITAL trial in April of 2016. We have since initiated a Long-term Safety Study where we have begun transitioning patients completing the VITAL trial as well as enrolling new patients to twice-monthly somavaratan dosing.

Other Indications

We may develop somavaratan for additional growth disorders, such as idiopathic short stature, or ISS, small for gestational age, or SGA, and Turner Syndrome, which together accounted for approximately 20% of the global rhGH market in 2014. We have global rights to somavaratan and, if somavaratan is approved, given the highly concentrated prescriber base, we intend to commercialize it with our own specialty sales force in North America, and potentially other geographies.

Financial overview

Summary

We have never generated net income from operations, and, at September 30, 2016, we had an accumulated deficit of $267.1 million, primarily as a result of research and development and general and administrative expenses. While we may in the future generate revenue from a variety of sources, including license fees, milestone payments and research and development payments in connection with potential future strategic partnerships, we have not yet generated any revenue. Somavaratan is at an early stage of development and may never be successfully developed or commercialized. Accordingly, we expect to incur significant and increasing losses from operations for the foreseeable future as we seek to advance somavaratan through its on-going and planned Phase 2 and 3 clinical trials, and there can be no assurance that we will ever generate significant revenue or profits.

Research and development expenses

We recognize both internal and external research and development expenses as incurred. Our external research and development expenses consist primarily of:

- the cost of acquiring and manufacturing clinical trial and other materials, including expenses incurred under agreements with contract manufacturing organizations;
- expenses incurred under agreements with contract research organizations, investigative sites, and consultants that conduct our clinical trials and a substantial portion of our preclinical activities; and
- other costs associated with development activities, including additional studies.

Internal research and development costs consist primarily of salaries and related fringe benefit costs for our employees (such as workers' compensation and health insurance premiums), stock-based compensation charges, travel costs, and allocated overhead expenses.

We expect to continue to incur substantial expenses related to our development activities for the foreseeable future as we conduct our VELOCITY trial, our ongoing Long-term Safety Studies, our GHD Phase 2/3 registration trial in Japan, and our VITAL and potential Phase 3 Adult GHD trials. As product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials, we expect that our research and development expenses will increase substantially in the future.

General and administrative expenses

General and administrative expenses consist principally of personnel-related costs, professional fees for legal, consulting, audit and tax services, rent and other general operating expenses not included in research and development. We anticipate general and administrative expenses will increase in future periods, reflecting an expanding infrastructure, other administrative expenses and increased professional fees associated with being a public reporting company.

Other income (expense), net

Other income (expense), net is primarily comprised of gains and losses on foreign currency transactions related to third-party contracts with foreign-based contract manufacturing organizations as well as gains and losses on foreign currency exchange contracts.

Critical accounting policies, significant judgments and use of estimates

Our management's discussion and analysis of financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are more fully described in Note 2 of the accompanying unaudited condensed consolidated financial statements and in Note 2 to our audited consolidated financial statements contained in the Annual Report on Form 10-K filed on March 8, 2016 with the Securities Exchange Commission, or the SEC. There have been no significant or material changes in our critical accounting policies during the nine months ended September 30, 2016, as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates" in the Annual Report on Form 10-K.

Results of operations

Comparison of the Three and Nine Months Ended September 30, 2016 and 2015

The following table summarizes our net loss during the periods indicated (in thousands, except percentages):

	Three Months Ended September 30,		Increase/ (Decrease)		Nine Months Ended September 30,		Increase/ (Decrease)	
	2016	2015			2016	2015		
Operating expenses:								
Research and development	$ 20,664	$ 15,400	$ 5,264	34%	$ 55,253	$ 44,440	$ 10,813	24%
General and administrative	6,752	5,124	1,628	32%	18,575	17,861	714	4%
Loss from operations	(27,416)	(20,524)	6,892	34%	(73,828)	(62,301)	11,527	19%
Interest income	120	54	66	120%	354	168	186	109%
Other income (expense), net	(39)	91	(130)	-142%	(210)	81	(291)	-359%
Net loss	$ (27,335)	$ (20,379)	$ 6,956	34%	$ (73,684)	$ (62,052)	$ 11,632	19%

Research and development expense

Research and development expense increased $5.3 million, or 34%, to $20.7 million for the three months ended September30, 2016 from $15.4 million for the same period in 2015. For the nine months ended September 30, 2016, research and development expense increased $10.8 million, or 24%, to $55.3 million from $44.4 million for the same period in 2015. The increase in research and development expense was primarily due to a $1.9 million increase for the three months ended September 30, 2016 and a $5.9 million increase for the nine-months ended September 30, 2016 related to clinical costs to support our ongoing global VELOCITY pediatric trial, VITAL Phase 2 trial for adults and our Phase 2/3 trial of somavaratan in pediatric patients in Japan. For the three months ended September 30, 2016 and 2015, substantially all of our research and development expense related to our somavaratan drug development activity.

General and administrative expense

General and administrative expense increased $1.6 million, or 32%, to $6.7 million for the three months ended September 30, 2016 from $5.1 million for the same period in 2015. For the nine months ended September 30, 2016, general and administrative expense increased $0.7 million, or 4%, to $18.6 million from $17.9 million for the same period in 2015. The increase in G&A expenses was primarily due to additional fees related to consulting and professional services to support our continued growth, including the work associated with our strategic alliance with Teijin.

Other income (expense), net

Other income (expense), net decreased $0.3 million to $0.2 million of other expense for the nine months ended September 30, 2016 from other income of $0.1 million of other income for the same period in 2015. This decrease was primarily due to losses on our foreign currency exchange contracts and foreign currency transactions.

Liquidity and capital resources

Since our inception, we have financed our operations through private placements of our equity securities, debt financing and, more recently, our initial public offering in 2014 and additional common stock offerings in January 2015 and October and November

of 2016. At September 30, 2016, we had cash and cash equivalents of $ 160.4 million, a majority of which is invested in money market funds at several highly rated financial institutions. We expect to incur substantial expenditures in the foreseeable future for the development and potential commercialization of somavaratan an d any additional product candidates. Specifically, we have incurred substantial expenses in connection with our VELOCITY trial and we expect to continue to incur substantial expenses in connection with our Long-term Safety Studies the VITAL trial, and addi tional Phase 2 and 3 clinical trials that we have initiated or plan to conduct.

While we expect additional proceeds if certain clinical and regulatory milestones are met under the Teijin Agreement, if our ongoing Phase 2 and Phase 3 clinical trials for somavaratan are successful, we will continue to require additional financing to further develop our product candidates and fund operations for the foreseeable future and we will continue to seek funds through equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financing. Although management has been successful in raising capital in the past, most recently $59.2 million in October and November 2016, there can be no assurance that we will be successful or that any needed financing will be available in the future at terms acceptable to the us. Our failure to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategies. We anticipate that we will need to raise substantial additional capital in addition to what we may receive from Teijin, the requirements of which will depend on many factors, including:

- the rate of progress and cost of our clinical studies;
- the timing of, and costs involved in, seeking and obtaining approvals from the FDA and other regulatory authorities;
- the cost of preparing to manufacture somavaratan on a larger scale;
- the costs of commercialization activities if somavaratan or any future product candidate is approved, including product sales, marketing, manufacturing and distribution;
- the degree and rate of market acceptance of any products launched by us or future partners;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- our ability to enter into additional collaboration, licensing, commercialization or other arrangements and the terms and timing of such arrangements; and
- the emergence of competing technologies or other adverse market developments.

If we are unable to raise additional funds when needed, we may be required to delay, reduce, or terminate some or all of our development programs and clinical trials. We may also be required to sell or license to others technologies or clinical product candidates or programs that we would prefer to develop and commercialize ourselves.

Cash flows

The following table sets forth the primary sources and uses of cash and cash equivalents for each of the periods presented below:

	Nine Months Ended September 30,	
	2016	**2015**
	(In thousands)	
Net cash (used in) provided by:		
Operating activities	$ (21,998)	$ (52,917)
Investing activities	(90)	(4)
Financing Activities	453	80,369
Net increase (decrease) in cash and cash equivalents	$ (21,635)	$ 27,448

Cash used in operating activities

Net cash used in operating activities was $22.0 million and $52.9 million in the nine months ended September 30, 2016 and 2015, respectively, which was primarily due to the use of funds in our operations related to the development of our product candidates. Cash used in operating activities in 2016 decreased compared to 2015 primarily due to a $40.0 million upfront payment received from Teijin offset by a higher net loss from operations as we continued to increase our research and development expenditures to develop somavaratan related to our manufacturing and clinical costs and expand our general and administrative functions to support continued growth.

Cash used in investing activitie s

Cash used in investing activities consisted primarily of investment in furniture, equipment and leasehold improvements made for additional office space in Menlo Park, California, for which we commenced a new lease in January 2016.

Cash provided by financing activities

Net cash provided by financing activities was immaterial in the nine months ended September 30, 2016, compared to $80.3 million in the same period of 2015. Cash provided by financing activities for 2016 and 2015 consisted of proceeds from the issuance of common stock in connection with employee benefit plans in 2016 and primarily of the net proceeds from our follow-on offering in January 2015.

As of September 30, 2016, we had cash and cash equivalents of approximately $160.4 million. We believe that our existing cash and cash equivalents along with the proceeds from our public offerings in October and November 2016 will be sufficient to sustain operations for at least the next 12 months based on our existing business plan. If our current Phase 3 clinical trials are successful, we will need to raise additional capital in order to further advance our product candidates towards regulatory approval and potential commercialization.

Contractual obligations and commitments

During the nine months ended September 30, 2016, there were no material changes to our contractual obligations and commitments described under Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report on Form 10-K for the year ended December 31, 2015, except for a manufacturing and supply agreement entered in May 2016 with Owen Mumford and an exclusive license supply agreement with Teijin Limited entered into in August 2016 described below:

Owen Mumford

In May 2016, we entered into a Manufacture and Supply Agreement with Owen Mumford Limited, a leading medical device manufacturer, pursuant to which we engaged Owen Mumford to: (1) manufacture a proprietary disposable autoinjector device and (2) assemble and supply a final combination product including the device and somavaratan (VRS-317), our proprietary long-acting form of human growth hormone. We will supply somavaratan in prefilled syringes to Owen Mumford for incorporation into the final combination product.

Under the agreement, Owen Mumford agrees to manufacture the autoinjector device used in the product exclusively for us in the field of human growth hormone deficiency treatment, subject to a minimum purchase obligation. We are required to purchase our entire requirement of the final combination product from Owen Mumford, except that after a specified time period after regulatory approval in the European Union ("EU"), we may purchase from third parties a portion of our requirement for the European Economic Area. In addition, after a specified time period after regulatory approval in any major jurisdiction, we are required to purchase from Owen Mumford a minimum quantity of the product in each year. If we do not purchase such minimum quantity, we may pay a shortfall payment to Owen Mumford to maintain the scope of our exclusivity. If we fail to purchase the minimum and decline to pay the shortfall payment, the exclusivity will be limited to long-acting human growth hormone products. The agreement also includes customary terms and conditions relating to forecast, ordering, delivery, inspection and acceptance, among other matters.

The initial term of the agreement continues until ten (10) years after our acceptance of the first shipment of the final combination product, and may be renewed for an additional time period by mutual agreement of the parties. The agreement may be earlier terminated by either party for the other party's uncured material breach or insolvency. In addition, either party may terminate the agreement without cause upon twelve (12) months advance notice. If terminated by Owen Mumford without cause, Owen Mumford must continue to supply the autoinjector device and assemble the final combination product until we are able to identify, appoint, and qualify through all necessary regulatory approvals an alternate manufacturer.

Teijin Limited

In August 2016, we entered into an exclusive license and supply agreement with Teijin Limited, who markets a variety of pharmaceutical products throughout Japan, including in the areas of metabolic and endocrine disease.

Under the terms of the agreement, Teijin will receive an exclusive license to commercialize and further develop somavaratan long acting growth hormone in Japan, while Versartis retains exclusive rights to somavaratan in the rest of the world. Versartis GmbH, a subsidiary of Versartis, Inc., has received an upfront payment of $40.0 million and is eligible to receive up to $125.0 million in milestone payments, as follows: development milestone of $35.0 million, regulatory milestones up to $55.0 million and sales milestones up to $35.0 million.

Versartis GmbH will be the exclusive manufacturer and supplier of soma varatan to Teijin. In exchange, it will receive a combination of a running royalty and transfer pricing based upon net sales of the product in Japan.

Versartis will be responsible for completing and funding the J14VR5 Phase 2/3 trial of somavaratan in pediatric GHD already underway in Japan, as well as the ongoing pediatric VELOCITY and adult VITAL trials outside of Japan. Teijin will be solely responsible for executing and funding regulatory and commercialization activities for somavaratan in all indications within Japan. A Joint Steering Committee will be formed to oversee regulatory and commercialization strategy, as well as further clinical development activities.

Off-balance sheet arrangements

Since our inception, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and qualitative disclosures about market risk

The primary objective of our investment activities is to preserve our capital to fund our operations. We also seek to maximize income from our cash and cash equivalents without assuming significant risk. To achieve our objectives, we invest our cash and cash equivalents in money market funds. As of September 30, 2016, we had cash and cash equivalents of $160.4 million consisting of cash and investments in highly liquid U.S. money market funds. A portion of our investments may be subject to interest rate risk and could fall in value if market interest rates increase. However, because our investments are substantially all short-term in duration, we believe that our exposure to interest rate risk is not significant and a 1% movement in market interest rates would not have a significant impact on the total value of our portfolio. We actively monitor changes in interest rates.

Foreign Currency Market Risk

Our foreign exchange forward contracts expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We do, however, seek to mitigate such risks by limiting our counterparties to major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored. Management does not expect material losses as a result of defaults by counterparties.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation as of September 30, 2016 was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our "disclosure controls and procedures." Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the "Exchange Act," defines "disclosure controls and procedures" as controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at September 30, 2016.

Changes in Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated any changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2016, and has concluded that there was no change during such quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. As set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

PART II: OTHER INFORMATION

Item 1. Legal proceedings

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should consider carefully the following risks, together with all the other information in this Form 10-Q, including our condensed consolidated financial statements and notes thereto. If any of the following risks actually materializes, our operating results, financial condition and liquidity could be materially adversely affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment.

Risks related to the development and commercialization of our product candidate

Our success depends heavily on the successful development, regulatory approval and commercialization of our only product candidate, somavaratan.

We do not have any products that have gained regulatory approval. Our only clinical-stage product candidate is somavaratan, a novel, long-acting recombinant human growth hormone. We have completed the Phase 2a stage of a Phase 1b/2a clinical trial in children with growth hormone deficiency, or GHD, and initiated our North American and European Phase 3 pediatric GHD clinical trial, the VELOCITY trial, of somavaratan in early 2015. We have since completed enrollment of the VELOCITY trial as of August 2016. We have also initiated the Phase 3 portion of our Phase 2/3 pediatric GHD clinical trial of somavaratan in Japan in September 2016. We initiated a Phase 2 adult GHD clinical trial, the VITAL trial, of somavaratan in September 2015, and have since completed enrollment. As a result, our near-term prospects, including our ability to finance our operations and generate revenue, are substantially dependent on our ability to obtain regulatory approval for and, if approved, to successfully commercialize somavaratan in a timely manner.

We cannot commercialize somavaratan or any future product candidates in the United States without first obtaining regulatory approval for the product from the U.S. Food and Drug Administration, or FDA, nor can we commercialize somavaratan or any future product candidates outside of the United States without obtaining regulatory approval from comparable foreign regulatory authorities. The FDA review process typically takes years to complete and approval is never guaranteed. Before obtaining regulatory approvals for the commercial sale of somavaratan for a target pediatric GHD indication or our future product candidates, we generally must demonstrate with substantial evidence gathered in preclinical and well-controlled clinical studies that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. We are pursuing the same regulatory pathway for somavaratan followed by most of the approved rhGH products for pediatric GHD patients: a dose-finding study and a Phase 3 non-inferiority registration trial with a primary endpoint of mean Year 1 height velocity. In addition, while the available growth data from published studies of approved rhGH therapy products suggest that three, six and twelve month mean height velocities are well correlated within the same clinical trial, it is possible that somavaratan, due to its unique properties, will produce different results. If mean Year 1 height velocities that we observed for somavaratan in the ongoing Long-term Safety Study do not correlate to mean Year 1 height velocities that we ultimately observe in the Phase 3 clinical trial that we are conducting, somavaratan may not achieve the required primary endpoint in the Phase 3 clinical trial, and somavaratan may not receive regulatory approval.

Moreover, obtaining regulatory approval for marketing of somavaratan in one country does not ensure we will be able to obtain regulatory approval in other countries, while a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in other countries.

Even if somavaratan or any of our future product candidates were to successfully obtain approval from the FDA and comparable foreign regulatory authorities, any approval might contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for somavaratan in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue to fund our operations. Also, any regulatory approval of somavaratan or our future product candidates, once obtained, may be withdrawn. Furthermore, even if we obtain regulatory approval for somavaratan, the commercial success of somavaratan will depend on a number of factors, including the following:

- development of our own commercial organization or establishment of a commercial collaboration with a commercial infrastructure;
- establishment of commercially viable pricing and obtaining approval for adequate reimbursement from third-party and government payors;

- the ability of our third-party manufacturers to manufacture quantities of somavaratan using commercially viable processes at a scale sufficient to meet anticipated demand and reduce our cost of manufacturing, and that are compliant with current Good Manufacturing Practices, or cGMP, regulations;
- our success in educating physicians and patients about the benefits, administration and use of somavaratan;
- the availability, perceived advantages, relative cost, relative safety and relative efficacy of alternative and competing treatments;
- the effectiveness of our own or our potential strategic collaborators' marketing, sales and distribution strategy and operations;
- acceptance of somavaratan as safe and effective by patients, caregivers and the medical community;
- a continued acceptable safety profile of somavaratan following approval; and
- continued compliance with our obligations in our intellectual property licenses with third parties upon favorable terms.

Many of these factors are beyond our control. If we or our commercialization collaborators are unable to successfully commercialize somavaratan, we may not be able to earn sufficient revenues to continue our business.

Somavaratan is a new molecular entity, and although it contains the same rhGH composition used in currently approved rhGH products, it has been genetically modified to extend its half-life, creating uncertainty about its long-term safety profile.

Somavaratan utilizes the same rhGH amino acid sequence as in currently approved rhGH products, but combined with sequences of hydrophilic amino acids genetically fused to the rhGH protein to extend its half-life. This proprietary in-licensed half-life extension technology, XTEN, has been used in somavaratan to potentially enable less frequent administration of rhGH. We have limited clinical data on product candidates utilizing XTEN technology indicating whether they are safe or effective for long-term treatment in humans. The long term safety and efficacy of the XTEN technology and the extended half-life and exposure profile of somavaratan compared to currently approved rhGH products is unknown, and it is possible it may increase the risk of unforeseen reactions to somavaratan following extended treatment relative to other currently approved rhGH products. Elevated levels of rhGH and insulin-like growth factor-I, or IGF-1, together can lead to acromegaly, a rare disease that occurs when the body produces excess growth hormone, leading to an increase in the size of bones and organs and which can result in disfigurement and other complications, with an associated increased cancer risk. It is unknown whether long-term repeated administration of somavaratan could result in an increased immune response to rhGH, leading to a loss of efficacy or potential safety issues. If extended treatment with somavaratan in our ongoing or future clinical trials results in any concerns about its safety or efficacy, we may be unable to successfully develop or commercialize somavaratan.

Because the results of preclinical testing and earlier clinical trials and the results to date in our Long-term Safety Study are not necessarily predictive of future results, somavaratan may not have favorable results in later clinical trials or receive regulatory approval.

Success in preclinical testing and early clinical trials and the results to date in our Long-term Safety Study do not ensure that later clinical trials will generate adequate data to demonstrate the efficacy and safety of an investigational drug. A number of companies in the pharmaceutical and biotechnology industries, including those with greater resources and experience, have suffered significant setbacks in clinical trials, even after seeing promising results in earlier clinical trials. Despite the results to date in our ongoing Long-term Safety Study of somavaratan in GHD children and the results reported in earlier trials, we do not know whether the clinical trials we are conducting, or may conduct, will demonstrate adequate efficacy and safety to result in regulatory approval to market somavaratan. Even if we believe that we have adequate data to support an application for regulatory approval to market our product candidates, the FDA, European Medicines Agency, or EMA, or other applicable foreign regulatory authorities may not agree and may require that we conduct additional clinical trials. If our Phase 3 clinical trial of somavaratan in GHD children or other later-stage clinical trials do not produce favorable results, our ability to achieve regulatory approval for somavaratan may be adversely impacted.

There can be no assurance that somavaratan will not exhibit new or increased safety risks in the Phase 3 clinical trial as compared to the Phase 1b/2a clinical trial or ongoing Long-term Safety Study. In addition, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many other companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain regulatory approval for the marketing of their products.

In addition, we have not yet confirmed that the selected Phase 3 dose of somavaratan administered for 12 months will provide adequate efficacy to support registration. There can be no guarantee that the dose studied in the Phase 3 clinical trial will be efficacious or, if it is, whether it will be the optimal dose. There cannot be any guarantee that any of these studies will be successful in determining a dose or dose regimen of somavaratan suitable for marketing approval.

As an organization, we have never completed a Phase 3 clinica l trial or submitted a BLA before, and may be unsuccessful in doing so for somavaratan.

The conduct of our Phase 3 clinical trial and other supportive trials of somavaratan and the submission of a successful Biologics License Application, or BLA, is a complicated process. As an organization, we have never completed a Phase 3 clinical trial, have limited experience in preparing, submitting and prosecuting regulatory filings, and have not submitted a BLA before. Consequently, we may be unable to successfully and efficiently execute and complete necessary clinical trials in a way that leads to BLA submission and approval of somavaratan. Failure to complete, or delays in our clinical trials would prevent us from or delay us in commercializing somavaratan.

Long-acting rhGH products and product candidates no longer in development or marketed have failed to generate commercial success or obtain regulatory approval, and we cannot predict whether somavaratan will achieve success where others have failed.

Many attempts have been made to develop sustained release formulations of rhGH. For example, Nutropin Depot, a long-acting form of rhGH developed by Genentech that uses Alkermes' ProLease ® injectable extended-release drug delivery system, was approved by the FDA in 1999 and withdrawn from the market in 2004 by Genentech and Alkermes due to the significant resources required to continue manufacturing and commercializing the product. Additional attempts at sustained release formulations have not yet led to globally marketed products, due to manufacturing, regulatory, efficacy and/or safety reasons. Even if we obtain all requisite regulatory approvals, no assurance can be given that somavaratan will achieve commercial success or market adoption.

Delays in the enrollment of patients in any of our clinical studies could increase our development costs and delay completion of the study.

We may not be able to initiate or continue clinical studies for somavaratan or any future product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these studies as required by the FDA or other regulatory authorities. Even if we are able to enroll a sufficient number of patients in our clinical studies, if the pace of enrollment is slower than we expect, the development costs for our product candidates may increase and the completion of our studies may be delayed or our studies could become too expensive to complete.

We will need to enroll patients at forecasted rates at both new and existing clinical sites. Our forecasts regarding the rates of clinical site activation and patient enrollment at those sites are based on a number of assumptions, including assumptions based on past experience. However, there can be no assurance that those forecasts will be accurate or that we will not face delays in our clinical trials. Enrollment in our clinical trials is dependent on obtaining clearance from regulatory authorities in each country in which they will be conducted. To date, authorities in several countries have declined clinical trial applications or requested additional data or information prior to authorizing such applications in those countries. If we are unable to provide sufficient responses to the regulatory authorities during the conduct of the studies, they may be delayed.

There may be concurrent competing GHD clinical trials that will inhibit or slow our enrollment in any Phase 3 clinical trial or other trials we conduct. If we experience delays in enrollment, our ability to complete any clinical trial could be impaired and the costs of conducting the trial could increase, either of which could have a material adverse effect on our business.

If clinical studies of somavaratan and any future product candidates fail to demonstrate safety and efficacy to the satisfaction of the FDA or similar regulatory authorities outside the United States or do not otherwise produce results that are acceptable to such agencies, we may incur additional costs, experience delays in completing or ultimately fail in completing the development and commercialization of somavaratan or our future product candidates.

Before obtaining regulatory approval for the sale of any product candidate, we must conduct extensive clinical studies to demonstrate the safety and efficacy of our product candidates in humans. Clinical studies are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. A failure of one or more of our clinical studies could occur at any stage of testing.

We may experience numerous unforeseen events during, or as a result of, clinical studies that could delay or prevent our ability to receive regulatory approval or commercialize somavaratan or any future product candidates, including the following:

- clinical studies may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical studies or abandon product development programs;
- the number of patients required for clinical studies may be larger than we anticipate, enrollment in these clinical studies may be insufficient or slower than we anticipate or patients may drop out of these clinical studies at a higher rate than we anticipate;
- the cost of clinical studies or the manufacturing of our product candidates may be greater than we anticipate;

- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we might have to suspend or terminate clinical studies of our product candidates for various reasons, including a finding that our product candidates have unanticipated serious side effects or other unexpected characteristics or that the patients are being exposed to unacceptable health risks;
- regulators may not approve our proposed clinical development plans;
- regulators or institutional review boards may not authorize us or our investigators to commence a clinical study or conduct a clinical study at a prospective study site;
- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements; and
- the supply or quality of our product candidates or other materials necessary to conduct clinical studies of our product candidates may be insufficient or inadequate.

If we are required to conduct additional clinical studies or other testing of somavaratan or any future product candidates beyond those that we contemplate, if we are unable to successfully complete clinical studies or other testing, if the results of these studies or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications that are not as broad as intended;
- have the product removed from the market after obtaining marketing approval;
- be subject to additional post-marketing testing requirements; or
- be subject to restrictions on how the product is distributed or used.

Our product development costs will also increase if we experience delays in testing or approvals. We do not know whether any clinical studies will begin as planned, will need to be restructured or will be completed on schedule, or at all. For example, in February 2014, the FDA notified us that it would require additional information before allowing us to use a newly manufactured lot of somavaratan produced by our new manufacturer intended for our ongoing Long-term Safety Study, and the FDA subsequently issued a partial clinical hold related to the use of any material produced by this new manufacturer. The FDA ultimately lifted the partial clinical hold in June 2014. And then in early 2015, following initiation of the VELOCITY trial, the FDA requested additional bioanalytical data and placed our Phase 3 clinical trial on partial clinical hold. We provided the requested information to the agency and this second partial clinical hold was lifted in June 2015. There can be no assurance, however, that we will not be subject to similar FDA actions in the future, or that such actions will not cause delays in our clinical studies.

Significant clinical study delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do, which would impair our ability to commercialize our product candidates and harm our business and results of operations.

Somavaratan or our future product candidates may cause serious adverse side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following any marketing approval.

Our product candidate, somavaratan, has not completed clinical development. The risk of failure of clinical development is high. It is impossible to predict when or if somavaratan or any future product candidates will prove safe enough to receive regulatory approval. Undesirable side effects caused by somavaratan or any future product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or foreign regulatory authorities.

Somavaratan is in active development for pediatric GHD and adult GHD, and safety data have been reported from seven clinical studies of somavaratan in GHD patients. In these studies, adverse events associated with somavaratan administration have generally been mild or moderate and transient and have been observed most frequently at or shortly following administration of the first dose. Suspected serious adverse drug reactions have been rare. In the pediatric GHD studies, adverse events potentially related to somavaratan that occurred in 5% or more of patients included: injection site pain, injection site erythema, headache, pain in extremity, and arthralgia. In the adult GHD studies, adverse events potentially related to somavaratan that occurred in 5% or more of patients included: injection site erythema, injection site pain, headache, arthralgia, injection and site edema. However, we cannot provide

assurance that serious adverse events or clinically meaningful adverse events will not occur at a higher rate in current or future clinical trials or that side effects in general wil l not prompt the discontinued development of somavaratan or any future product candidates.

In addition, the administration of therapeutic proteins including recombinant hGH occasionally causes an immune response, resulting in the creation of antibodies against the protein. The antibodies may be transient or persistent and can have no effect or can neutralize the activity of the protein or accelerate its clearance. Antibodies, including the rare occurrence of neutralizing antibodies, have been observed in the somavaratan clinical trials and while they had no effect on occurrence of adverse events, their overall clinical relevance must be assessed in our Phase 3 clinical trials. Due to potential safety, efficacy, immunogenicity, or toxicity issues that we may experience in our clinical trials in the future, we may not receive approval to market somavaratan or any future product candidates, which could prevent us from ever generating revenue or achieving profitability. Results of our trials could reveal an unacceptably high severity or prevalence of side effects or antibodies. In such an event, our trials could be suspended or terminated and the FDA or foreign regulatory authorities could order us to cease further development or deny approval of our product candidates for any or all targeted indications. Any drug-related side effects could affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. Any of these occurrences may have a material adverse effect on our business, results of operations, financial condition, cash flows and future prospects.

Additionally, if somavaratan or any of our future product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such product, a number of potentially significant negative consequences could result, including:

- we may be forced to suspend the marketing of such product;
- regulatory authorities may withdraw their approvals of such product;
- regulatory authorities may require additional warnings on the label that could diminish the usage or otherwise limit the commercial success of such products;
- the FDA or other regulatory bodies may issue safety alerts, Dear Healthcare Provider letters, press releases or other communications containing warnings about such product;
- the FDA may require the establishment or modification of Risk Evaluation Mitigation Strategies, or REMS, or a foreign regulatory authority may require the establishment or modification of a similar strategy that may, for instance, restrict distribution of our products and impose burdensome implementation requirements on us;
- we may be required to change the way the product is administered or conduct additional clinical trials;
- we could be sued and held liable for harm caused to subjects or patients;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved.

Even if our clinical trials demonstrate acceptable safety and efficacy of somavaratan for growth in pediatric GHD patients based on a twice-monthly dosing regimen, the FDA or similar regulatory authorities outside the United States may not approve somavaratan for marketing or may approve it with restrictions on the label, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Assuming the success of our clinical trials, we anticipate seeking regulatory approval for somavaratan in the United States, Europe and Canada for treatment of pediatric GHD patients based on a twice-monthly dosing regimen. It is possible that the FDA, the EMA, the PMDA or Health Canada may not consider the results of our clinical trials to be sufficient for approval of somavaratan for this indication. In general, the FDA suggests that sponsors complete two adequate and well-controlled clinical studies to demonstrate effectiveness because a conclusion based on two persuasive studies will be more compelling than a conclusion based on a single study. Even if we achieve favorable results in our Phase 3 clinical trial, and considering that somavaratan is a new molecular entity, the FDA may nonetheless require that we conduct additional clinical studies, possibly using a different clinical study design.

Moreover, even if the FDA or other regulatory authorities approve somavaratan for treatment of pediatric GHD patients based on twice-monthly dosing, the approval may include additional restrictions on the label that could make somavaratan less attractive to physicians and patients compared to other products that may be approved for broader indications, which could limit potential sales of somavaratan.

If we fail to obtain FDA or other regulatory approval of somavaratan or if the approval is narrower than what we seek, it could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Even if somavaratan or any future product candidates receive regulatory approval, they may fail to achieve the degree of market acceptance by physicians, patients, caregivers, healthcare payors and others in the medical community necessary for com mercial success.

If somavaratan or any future product candidates receive regulatory approval, they may nonetheless fail to gain sufficient market acceptance by physicians, hospital administrators, patients, healthcare payors and others in the medical community. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including the following:

- the prevalence and severity of any side effects;
- their efficacy and potential advantages compared to alternative treatments;
- the price we charge for our product candidates;
- the willingness of physicians to change their current treatment practices;
- convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support; and
- the availability of third-party coverage or reimbursement.

For example, a number of companies offer therapies for treatment of pediatric GHD patients based on a daily regimen, and physicians, patients or their families may not be willing to change their current treatment practices in favor of somavaratan even if it is able to offer less frequent dosing. If somavaratan or any future product candidates, if approved, do not achieve an adequate level of acceptance, we may not generate significant product revenue and we may not become profitable on a sustained basis or at all.

Somavaratan has never been manufactured for commercial use, and there are risks associated with scaling up manufacturing and validating the process for production of commercial material. In addition, to successfully commercialize somavaratan, we must design, manufacture, and gain regulatory approval of a delivery device to safely, effectively, and conveniently administer somavaratan in relevant patient types.

Somavaratan has been successfully manufactured for use in clinical studies but there are risks associated with scaling up manufacturing to commercial scale and validating the commercial production process including, among others, cost overruns, potential problems with process scale-up, process reproducibility, stability issues, lot consistency and timely availability of raw materials. Even if we could otherwise obtain regulatory approval for somavaratan, there is no assurance that our manufacturer will be able to manufacture the approved product to specifications acceptable to the FDA or other regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product or to meet potential future demand.

If our manufacturer is unable to produce sufficient quantities of the approved product for commercialization, our commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

Somavaratan is a biological molecule, or biologic, rather than a small molecule chemical compound, and as a result we face special uncertainties and risks associated with scaling up manufacturing. The manufacture of biologics involves complex processes, including developing cells or cell systems to produce the biologic, growing large quantities of such cells and harvesting and purifying the biologic produced by them. As a result, the cost to manufacture biologics is generally far higher than traditional small molecule chemical compounds, and the manufacturing process is less reliable and is difficult to reproduce. Somavaratan was previously produced for us by a third-party contract manufacturer using a small-scale process that was too expensive and inefficient to support the dosages necessary for our ongoing and planned clinical trials. In October 2012, we entered into an agreement with Boehringer Ingelheim to develop a more efficient, larger-scale manufacturing process. However, scaling up and improving a biologic manufacturing process is a difficult and uncertain task, and we can give no assurance that we will be successful in developing and implementing this new process. Additionally, if we receive regulatory approval for somavaratan, in order to successfully commercialize somavaratan, we will need to manufacture quantities of somavaratan using commercially viable processes at a scale sufficient to meet anticipated demand. Even if we are able to do so, if the therapeutically effective dosage of somavaratan is higher than we anticipate or the obtainable sales price is lower than we anticipate, we may not be able to successfully commercialize somavaratan.

To commercialize somavaratan, we must design, manufacture, and gain regulatory approval of a delivery device to safely, effectively and conveniently administer the drug. In May 2016, we entered into a Manufacture and Supply Agreement with Owen Mumford Limited, under which they will manufacture a proprietary disposable autoinjector device for the administration of somavaratan and assemble the final combination product. Manufacturing of a precision medical device like the autoinjector is

complex and introducing a novel device requires designing, production of prototypes, extensive testing and modification, and production of custom tools and molds. If we and Owen Mumford are unable to develop and vali date a suitable manufacturing process for the device, our commercialization efforts would be impaired, which could have an adverse effect on our business, financial condition, results of operations and growth prospects.

Our failure to successfully identify, acquire, develop and commercialize additional products or product candidates could impair our ability to grow.

Although a substantial amount of our efforts will focus on the continued clinical testing and potential approval of our most advanced product candidate, somavaratan, a key element of our long-term growth strategy is to acquire, develop and/or market additional products and product candidates. We currently have one other potential product candidate that is in the preclinical study stage, but its development is at a preliminary stage and there can be no certainty that we will choose to advance it. Research programs to identify product candidates require substantial technical, financial and human resources, whether or not any product candidates are ultimately identified. Because our internal research capabilities are limited, we may be dependent upon pharmaceutical and biotechnology companies, academic scientists and other researchers to sell or license products or technology to us. The success of this strategy depends partly upon our ability to identify, select and acquire promising pharmaceutical product candidates and products. The process of proposing, negotiating and implementing a license or acquisition of a product candidate or approved product is lengthy and complex. Other companies, including some with substantially greater financial, marketing and sales resources, may compete with us for the license or acquisition of product candidates and approved products. We have limited resources to identify and execute the acquisition or in-licensing of third-party products, businesses and technologies and integrate them into our current infrastructure.

Moreover, we may devote resources to potential acquisitions or in-licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts. Any product candidate that we acquire may require additional development efforts prior to commercial sale, including extensive clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are prone to risks of failure typical of pharmaceutical product development, including the possibility that a product candidate will not be shown to be sufficiently safe and effective for approval by regulatory authorities. In addition, we cannot provide assurance that any products that we develop or approved products that we acquire will be manufactured profitably or achieve market acceptance.

We currently have no sales or distribution personnel and only limited marketing capabilities. If we are unable to develop a sales and marketing and distribution capability on our own or through collaborations or other marketing partners, we will not be successful in commercializing somavaratan or other future products.

We do not have a significant sales or marketing infrastructure and have no experience in the sale, marketing or distribution of therapeutic products. To achieve commercial success for any approved product, we must either develop a sales and marketing organization or outsource these functions to third parties. If somavaratan is approved, we intend to commercialize it with our own specialty sales force in North America and potentially other geographies.

There are risks involved with both establishing our own sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

We also may not be successful entering into arrangements with third parties to sell and market our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively and could damage our reputation. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The development and commercialization of new therapeutic products is highly competitive. We face competition with respect to somavaratan, and will face competition with respect to any product candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are several large pharmaceutical and biotechnology companies that currently market and sell rhGH therapies to our target patient group. These companies typically have a greater ability to reduce prices for their competing drugs in an effort to gain or retain market share and undermine the value proposition that we might otherwise be able to offer to payors. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent

protection and establish collaborativ e arrangements for research, development, manufacturing and commercialization. Many of these competitors are attempting to develop therapeutics for our target indications.

We are developing our lead product candidate, somavaratan, for treatment of pediatric and adult GHD patients based on a twice-monthly dosing regimen. The current standard of care for growth therapies for patients in the United States is a daily subcutaneous injection of rhGH. There are a variety of currently marketed daily rhGH therapies administered by daily subcutaneous injection and used for the treatment of GHD, principally Norditropin ® (Novo Nordisk), Humatrope ® (Eli Lilly), Nutropin-AQ ® (Roche/Genentech), Genotropin ® (Pfizer), Saizen ® (Merck Serono), Zomacton ™ (Ferring Pharmaceuticals), Omnitrope ® (Sandoz GmbH) and Valtropin ® (LG Life Science). These rhGH drugs, with the exception of Valtropin ® , are well-established therapies and are widely accepted by physicians, patients, caregivers, third-party payors and pharmacy benefit managers, or PBMs, as the standard of care for the treatment of GHD. Physicians, patients, third-party payors and PBMs may not accept the addition of somavaratan to their current treatment regimens for a variety of potential reasons, including concerns about incurring potential additional costs related to somavaratan, the perception that the use of somavaratan will be of limited additional benefit to patients, or limited long-term safety data compared to currently available rhGH treatments.

In addition to the currently approved and marketed daily rhGH therapies, there are a variety of experimental therapies that are in various stages of clinical development by companies both already participating in the rhGH market as well as potential new entrants, principally Aileron Therapeutics, Althea, Ambrx, Ascendis, Bioton S.A., Critical Pharmaceuticals, Dong-A, GeneScience, Genexine, Hanmi, LG Life Science, OPKO Health, Inc. (in collaboration with Pfizer, Inc.) and all of the existing global and regional rhGH franchises.

Many of our competitors, including a number of large pharmaceutical companies that compete directly with us, have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical study sites and patient registration for clinical studies, as well as in acquiring technologies complementary to, or necessary for, our programs.

We may form strategic alliances in the future, and we may not realize the benefits of such alliances.

We have and may continue to form strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties that we believe will complement or augment our existing business. These relationships or those like them may require us to incur non-recurring and other charges, increase our near- and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for somavaratan or any future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. If we license products or businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. We cannot be certain that, following a strategic transaction or license, we will achieve the revenues or specific net income that justifies such transaction. Any delays in entering into new strategic partnership agreements related to our product candidates could also delay the development and commercialization of our product candidates and reduce their competitiveness even if they reach the market.

If we are able to commercialize somavaratan or any future product candidates, the products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, thereby harming our business.

The regulations that govern marketing approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. Some countries require approval of the sale price of a product before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product and negatively impact the revenue we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain regulatory approval.

Our ability to commercialize somavaratan or any future products successfully also will depend in part on the extent to which reimbursement for these products and related treatments becomes available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health

maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and these third-party payors have at tempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the price s charged for medical products. We cannot be sure that reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any product for which we obtain marketing approval. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with products administered under the supervision of a physician. If reimbursement i s not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

There may be significant delays in obtaining reimbursement for approved products, and coverage may be more limited than the purposes for which the product is approved by the FDA or regulatory authorities in other countries. Moreover, eligibility for reimbursement does not imply that any product will be paid for in all cases or at a rate that covers our costs, including research, development, manufacturing, sales and distribution. Interim payments for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the product and the clinical setting in which it is used, may be based on payments allowed for lower cost products that are already reimbursed and may be incorporated into existing payments for other services. Net prices for products may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of products from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government funded and private payors for new products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition. In some foreign countries, including major markets in the European Union and Japan, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take nine to twelve months or longer after the receipt of regulatory marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product to other available therapies. Our business could be materially harmed if reimbursement of our approved products, if any, is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.

We face an inherent risk of product liability exposure related to the testing of somavaratan and any future product candidates in human clinical studies and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of patients from clinical studies or cancellation of studies;
- significant costs to defend the related litigation;
- substantial monetary awards to patients;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

We currently hold $10.0 million in product liability insurance coverage, which may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Risks related to our financial condition and need for additional capital

We have a limited operating history and have incurred significant losses since our inception, and we anticipate that we will continue to incur substantial and increasing losses for the foreseeable future. We have only one product candidate and no commercial sales, which, together with our limited operating history, makes it difficult to evaluate our business and assess our future viability.

We are a clinical-stage biopharmaceutical company with a limited operating history. We do not have any products approved for sale, and to date we have focused principally on developing our only product candidate, somavaratan. Evaluating our performance,

viability or future success will be more difficult than if we had a longer operating history or approved products on th e market. We continue to incur significant research and development and general and administrative expenses related to our operations. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval or become commercially viable. We have incurred significant operating losses in each y ear since our inception and expect to incur substantial and increasing losses for the foreseeable future. As of September 30, 2016, we had an accumulated deficit of $267.1 million.

To date, we have financed our operations primarily through private placements of our convertible preferred stock, the initial public offering of our common stock in March 2014, and public offerings of our common stock in January 2015 and October and November of 2016. We have devoted substantially all of our efforts to research and development, including clinical studies, but have not completed development of any product candidate. We anticipate that our expenses will increase substantially as we:

- continue the research and development of our only product candidate, somavaratan, and any future product candidates;
- continue clinical studies of somavaratan, including the Phase 3, Phase 2/3, and Phase 2 clinical trials of somavaratan that we initiated in 2015, which will be our most expensive clinical trials to date;
- seek to discover or in-license additional product candidates;
- seek regulatory approvals for somavaratan and any future product candidates that successfully complete clinical studies;
- establish a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize somavaratan or other future product candidates if they obtain regulatory approval, including process improvements in order to manufacture somavaratan at commercial scale; and
- enhance operational, financial and information management systems and hire more personnel, including personnel to support development of somavaratan and any future product candidates and, if a product candidate is approved, our commercialization efforts.

To be profitable in the future, we must succeed in developing and eventually commercializing somavaratan as well as other products with significant market potential. This will require us to be successful in a range of activities, including advancing somavaratan and any future product candidates, completing clinical studies of these product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling those products for which we may obtain regulatory approval. We are only in the preliminary stages of some of these activities. We may not succeed in these activities and may never generate revenue that is sufficient to be profitable in the future. Even if we are profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to achieve sustained profitability would depress the value of our company and could impair our ability to raise capital, expand our business, diversify our product candidates, market our product candidates, if approved, or continue our operations.

We currently have no source of product revenue and may never become profitable.

To date, we have not generated any revenues from commercial product sales, or otherwise. Even if we are able to successfully achieve regulatory approval for somavaratan or any future product candidates, we do not know when any of these products will generate revenue from product sales for us. Our ability to generate revenue from product sales and achieve profitability will depend upon our ability, alone or with current and any future collaborators, to successfully commercialize products, including somavaratan or any product candidates that we may develop, in-license or acquire in the future. Our ability to generate revenue from product sales from somavaratan or any future product candidates also depends on a number of additional factors, including our or any future collaborators' ability to:

- complete development activities, including our ongoing Long-term Safety Studies and Phase 3, Phase 2/3, and Phase 2 clinical trials of somavaratan, successfully and on a timely basis;
- demonstrate the safety and efficacy of somavaratan to the satisfaction of the FDA and obtain regulatory approval for somavaratan and future product candidates, if any, for which there is a commercial market;
- complete and submit applications to, and obtain regulatory approval from, foreign regulatory authorities;
- set a commercially viable price for our products;
- establish and maintain supply and manufacturing relationships with reliable third parties, and ensure adequate and legally compliant manufacturing of bulk drug substances and drug products to maintain that supply;
- develop a commercial organization capable of sales, marketing and distribution of any products for which we obtain marketing approval in markets where we intend to commercialize independently;
- find suitable distribution partners to help us market, sell and distribute our approved products in other markets;

- obtain coverage and adequate reimbursement from third-party payors, including government and private payors;
- achieve market acceptance of our products, if any;
- establish, maintain and protect our intellectual property rights and avoid third-party patent interference or patent infringement claims; and
- attract, hire and retain qualified personnel.

In addition, because of the numerous risks and uncertainties associated with pharmaceutical product development, including that somavaratan or any future product candidates may not advance through development or achieve the endpoints of applicable clinical trials, we are unable to predict the timing or amount of increased expenses, or when or if we will be able to achieve or maintain profitability. In addition, our expenses could increase beyond expectations if we decide to or are required by the FDA or foreign regulatory authorities to perform studies or trials in addition to those that we currently anticipate. Even if we are able to complete the development and regulatory process for somavaratan or any future product candidates, we anticipate incurring significant costs associated with commercializing these products.

Even if we are able to generate revenues from the sale of somavaratan or any future product candidates that may be approved, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or shut down our operations.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our quarterly and annual operating results may fluctuate significantly in the future, which makes it difficult for us to predict our future operating results. From time to time, we may enter into collaboration agreements with other companies that include development funding and significant upfront and milestone payments and/or royalties, which may become an important source of our revenue. Accordingly, our revenue may depend on development funding and the achievement of development and clinical milestones under any current and potential future collaboration and license agreements and sales of our products, if approved. These upfront and milestone payments may vary significantly from period to period and any such variance could cause a significant fluctuation in our operating results from one period to the next. In addition, we measure compensation cost for stock-based awards made to employees at the grant date of the award, based on the fair value of the award as determined by our board of directors, and recognize the cost as an expense over the employee's requisite service period. As the variables that we use as a basis for valuing these awards change over time, our underlying stock price and stock price volatility, the magnitude of the expense that we must recognize may vary significantly. Furthermore, our operating results may fluctuate due to a variety of other factors, many of which are outside of our control and may be difficult to predict, including the following:

- the timing and cost of, and level of investment in, research and development activities relating to somavaratan and any future product candidates, which will change from time to time;
- our ability to enroll patients in clinical trials and the timing of enrollment;
- the cost of manufacturing somavaratan and any future product candidates, which may vary depending on FDA guidelines and requirements, the quantity of production and the terms of our agreements with manufacturers;
- expenditures that we will or may incur to acquire or develop additional product candidates and technologies;
- the timing and outcomes of clinical studies for somavaratan and any future product candidates or competing product candidates;
- changes in the competitive landscape of our industry, including consolidation among our competitors or partners;
- any delays in regulatory review or approval of somavaratan or any of our future product candidates;
- the level of demand for somavaratan and any future product candidates, should they receive approval, which may fluctuate significantly and be difficult to predict;
- the risk/benefit profile, cost and reimbursement policies with respect to our products candidates, if approved, and existing and potential future drugs that compete with our product candidates;
- competition from existing and potential future drugs that compete with somavaratan or any of our future product candidates;
- our ability to commercialize somavaratan or any future product candidate inside and outside of the United States, either independently or working with third parties;
- our ability to establish and maintain collaborations, licensing or other arrangements;

- our ability to adequately support future growth;
- potential unforeseen business disruptions that increase our costs or expenses;
- future accounting pronouncements or changes in our accounting policies; and
- the changing and volatile global economic environment.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Investors should not rely on our past results as an indication of our future performance. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenue and/or earnings guidance we may provide.

We will need additional funds to support our operations, and such funding may not be available to us on acceptable terms, or at all, which would force us to delay, reduce or suspend our research and development programs and other operations or commercialization efforts. Raising additional capital may subject us to unfavorable terms, cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our product candidates and technologies.

The completion of the development and the potential commercialization of somavaratan and any future product candidates, should they receive approval, will require substantial funds. As of September 30, 2016, we had approximately $160.4 million in cash and cash equivalents, and we received an additional $59.2 million in net proceeds from our public offering in October and November 2016. We believe that our existing cash and cash equivalents, combined with the proceeds of the recent offering, will be sufficient to sustain operations for at least the next 12 months based on our existing business plan. Our future financing requirements will depend on many factors, some of which are beyond our control, including the following:

- the rate of progress and cost of our clinical studies;
- the timing of, and costs involved in, seeking and obtaining approvals from the FDA and other regulatory authorities;
- the cost of preparing to manufacture somavaratan on a larger scale;
- the costs of commercialization activities if somavaratan or any future product candidate is approved, including product sales, marketing, manufacturing and distribution;
- the degree and rate of market acceptance of any products launched by us or future partners;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- our ability to enter into additional collaboration, licensing, commercialization or other arrangements and the terms and timing of such arrangements;
- the emergence of competing technologies or other adverse market developments; and
- the costs of attracting, hiring and retaining qualified personnel.

We do not have any material committed external source of funds or other support for our development efforts. Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs through a combination of public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. Additional financing may not be available to us when we need it or it may not be available on favorable terms. If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable rights to somavaratan or potential future product candidates, technologies, future revenue streams or research programs, or grant licenses on terms that may not be favorable to us. If we raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of, or suspend one or more of our clinical studies or research and development programs or our commercialization efforts.

Risks related to our reliance on third parties

We rely on third parties to conduct our clinical studies, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such studies.

We do not independently conduct clinical studies of our lead product candidate, somavaratan. We rely on third parties, such as contract research organizations, or CROs, clinical data management organizations, medical institutions and clinical investigators, to perform this function. For example, we currently rely on ResearchPoint Global to oversee and manage the Long-term Safety Study and global Phase 3 pediatric trial of somavaratan. Our reliance on these third parties for clinical development activities reduces our control over these activities but does not relieve us of our responsibilities. We remain responsible for ensuring that each of our clinical studies is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical studies to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of patients in clinical studies are protected. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical studies in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, regulatory approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

We also rely on other third parties to store and distribute supplies for our clinical studies. Any performance failure on the part of our existing or future distributors could delay clinical development or regulatory approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

We rely on third-party contract manufacturing organizations to manufacture and supply somavaratan, including our autoinjector device. If our manufacturers and suppliers fail to perform adequately or fulfill our needs, we may be required to incur significant costs and devote significant efforts to find a new supplier or manufacturer. We may also face delays in the development and commercialization of our product candidates.

We currently have limited experience in, and we do not own facilities for, clinical-scale manufacturing of our product candidates and we currently rely upon third-party contract manufacturing organizations to manufacture and supply drug product for our clinical studies of somavaratan. The manufacture of pharmaceutical and medical device products in compliance with the cGMP and Quality System (QS) regulations and guidance from various regulatory authorities requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, including difficulties with production costs and yields, quality control, including stability of the product candidate and quality assurance testing, shortages of qualified personnel, as well as compliance with strictly enforced cGMP/QS requirements, other federal and state regulatory requirements and foreign regulations. If our manufacturers were to encounter any of these difficulties or otherwise fail to comply with their obligations to us or under applicable regulations, our ability to provide study drugs in our clinical studies would be jeopardized. Any delay or interruption in the supply of clinical study materials could delay the completion of our clinical studies, increase the costs associated with maintaining our clinical study programs and, depending upon the period of delay, require us to commence new studies at significant additional expense or terminate the studies completely.

All manufacturers of our product candidates must comply with cGMP and QS requirements enforced by the FDA, EMA, PMDA and similar authorities through their facilities inspection program. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our product candidates may be unable to comply with these requirements and with other regulatory authority requirements. Regulatory agencies may also implement new standards at any time, or change their interpretation and enforcement of existing standards for manufacture, packaging or testing of products. We have little control over our manufacturers' compliance with these regulations and standards. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall or withdrawal of product approval. If the safety of any product supplied is compromised due to our manufacturers' failure to adhere to applicable laws or for other reasons, we may not be able to obtain regulatory approval for or successfully commercialize our products and we may be held liable for any injuries sustained as a result. Any of these factors could cause a delay of clinical studies, regulatory submissions, approvals or commercialization of our product candidates, entail higher costs or impair our reputation.

Our product candidate, somavaratan, is a biologic and therefore requires a complex production process. In October, 2012, we transferred production of somavaratan to Boehringer Ingelheim. In connection with the transfer of production, we made certain changes to the manufacturing process in order to increase its scale and efficiency. We cannot assure that the FDA and the EMA will agree to the changes in the manufacturing process to support commercialization. In addition, current agreements with our manufacturer do not provide for the entire supply of the drug product necessary for full scale commercialization. If we and our manufacturer cannot agree to the terms and conditions necessary for our commercial supply needs, or if our manufacturer terminates

the agreement in response to a material breach by us or otherwise becomes unable to fulfill its supply obligations, we would not be able to manufacture somavaratan until a qualified alternative manufacturer is identified, which could also delay the development of, and impair our abil ity to commercialize, somavaratan.

The autoinjector through which we intend somavaratan to be administered is a new medical device, which we believe could provide somavaratan stability for approximately 30 days at room temperature, but that has not been approved or cleared in any jurisdiction. We therefore expect to seek regulatory approval for a drug/device combination product including somavaratan and the autoinjector. The autoinjector will be manufactured by Owen Mumford Limited in the United Kingdom. We cannot assure that the autoinjector will be manufactured in compliance with all applicable device QS requirements in a manner acceptable to applicable regulatory authorities, or that the autoinjector will provide longer term stability of somavaratan at room temperature. In addition, we are reliant upon Owen Mumford as the sole supplier of the autoinjector and if it is unable to supply the device at the volume required for conduct of our clinical trials and potential commercialization, the availability of somavaratan may be impacted.

The number of third-party manufacturers with the necessary manufacturing and regulatory expertise and facilities is limited, and it could be expensive and take a significant amount of time to arrange for alternative suppliers, which could have a material adverse effect on our business. New manufacturers of any product candidate would be required to qualify under applicable regulatory requirements and would need to have sufficient rights under applicable intellectual property laws to the method of manufacturing the product candidate. Obtaining the necessary FDA approvals or other qualifications under applicable regulatory requirements and ensuring non-infringement of third-party intellectual property rights could result in a significant interruption of supply and could require the new manufacturer to bear significant additional costs that may be passed on to us.

Our current and potential future license or collaboration agreements for somavaratan or any other product candidate may place some or all aspects of the development and commercialization of somavaratan or other product candidates outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

We have entered into and may in the future enter into additional license or collaboration agreements with third parties for the development or commercialization of somavaratan or future product candidates. In August 2016, we entered into an Exclusive License and Supply Agreement, or the Teijin License, with Teijin Limited, or Teijin, pursuant to which we granted to Teijin an exclusive license to develop, use, sell, offer for sale, import or otherwise commercialize in Japan any pharmaceutical product incorporating somavaratan. Our likely collaborators for any distribution, marketing, licensing or other collaboration arrangements include pharmaceutical and biotechnology companies such as Teijin. Because such collaborators are independent third parties, they may be subject to different risks than we are and may have significant discretion in, and different criteria for, determining the efforts and resources they will apply related to their agreements with us. We may have limited control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenue from these arrangements will depend in part on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaborations involving our product candidates are subject to numerous risks, which may include the following:

- Collaborators have significant discretion in determining the efforts and resources that they will apply to any such collaborations. For instance, under the Teijin License, while we are responsible for the ongoing Japanese Phase 2/3 clinical trial of somavaratan, Teijin will be responsible for commercialization activities in Japan.
- Collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical study results, changes in their strategic focus, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities.
- Collaborators may assume responsibility for conduct of clinical trials for product candidates in certain geographies and may fail to conduct such trials, may conduct them improperly, or may generate data inconsistent with the data from our clinical trials. For example, Teijin has the right to conduct certain clinical trials of somavaratan in Japan and if such trials generate data that conflicts with the VELOCITY trial or other Versartis-sponsored studies, the approvability or labeling of the product may be impacted in the US, Europe and other jurisdictions outside Japan.
- Collaborators may assume responsibility for seeking or maintaining regulatory approvals, pricing, government reimbursement approval, and public and private formulary placements. Failure to effectively obtain such approvals and clearances will substantially impact the commercial potential for the product candidate. For example, following completion of the Phase 2/3 study of somavaratan in Japan, Teijin will become responsible for Japanese regulatory activities, including submitting the Japanese New Drug Application (JNDA) to the PMDA to obtain initial marketing approval.
- Collaborators may delay clinical studies, provide insufficient funding for a clinical study program, stop a clinical study, abandon a product candidate, repeat or conduct new clinical studies or require a new formulation of a product candidate for clinical testing.

- Collaborators may be required to conduct duplicate analytical testing of a product candidate or approved product upon importation to a specific jurisdiction. If, for ex ample, Teijin conducts limited release testing of somavaratan for sale in Japan, data generated could be inconsistent with the testing conducted by BI or other third parties upon initial release, which would require investigation and resolution and could i mpact our ability to continue distribution of released material.
- Collaborators could acquire or independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates.
- A collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to their marketing and distribution. For example, Teijin is responsible for all sales, marketing and related activities for somavaratan in Japan and if it fails to adequately resource these functions, the product is unlikely to reach expected revenue targets for Japan.
- The actions of a collaborator may create liability for us as the global manufacturer of a product candidate, either directly or through indemnification obligations defined in license, collaboration or other agreements.
- Collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability.
- Collaborators may publish or otherwise publicly present or disclose information regarding our product candidates, including laboratory data or the results of preclinical or clinical research.
- Disputes may arise between us and a collaborator that causes the delay or termination of the research, development or commercialization of our product candidates or that results in costly litigation or arbitration that diverts management attention and resources;
- Collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.
- Collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

Risks related to the operation of our business

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on our chief executive officer and the other principal members of our executive team, substantially all of whom joined our company prior to May 2015, when our current chief executive officer began serving in that role. Under the terms of their employment, our executives may terminate their employment with us at any time. The loss of the services of any of these people or instability in our executive team, which may be more likely due to our recent leadership changes, could impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We expect to expand our development, regulatory and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

As of October 31, 2016, we had 53 employees. Over the next several years, we expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, regulatory affairs and sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Future growth would impose significant added responsibilities on members of management, including:

- managing our clinical trials effectively, which we anticipate being conducted at numerous clinical sites;
- identifying, recruiting, maintaining, motivating and integrating additional employees with the expertise and experience we will require;
- managing our internal development efforts effectively while complying with our contractual obligations to licensors, licensees, contractors and other third parties;
- managing additional relationships with various strategic partners, suppliers and other third parties;
- improving our managerial, development, operational and finance reporting systems and procedures; and
- expanding our facilities.

Our failure to accomplish any of these tasks could prevent us from successfully growing our company. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, which was enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier. We will remain an emerging growth company until the earlier of (1) December 31, 2019, (2) the last day of the fiscal year (a) in which we have total annual gross revenue of at least $1.0 billion or (b) in which we are deemed to be a large accelerated filer, which means, among other things, that the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (3) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may suffer or be more volatile.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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

Our operations could be subject to earthquakes, power shortages, telecommunications failures, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. Our corporate headquarters are located in California and certain clinical sites for our product candidate, operations of our existing and future partners are or will be located in California near major earthquake faults and fire zones. The ultimate impact on us, our significant partners, suppliers and our general infrastructure of being located near major earthquake faults and fire zones and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake, fire or other natural or manmade disaster.

If we obtain approval to commercialize somavaratan outside the United States, we will be subject to additional risks.

If we obtain approval to commercialize any products outside of the United States, a variety of risks associated with international operations could materially adversely affect our business, including:

- different regulatory requirements for drug approvals in foreign countries;
- reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

The United Kingdom's impending departure from the European Union could adversely affect our business.

The United Kingdom held a referendum on June 23, 2016 in which a majority of voters voted to exit the European Union ("Brexit"). Negotiations are expected to commence to determine the future terms of the United Kingdom's relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the sterling and euro. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate, including laws that could impact our ability to obtain approval of our products or sell our products in the United Kingdom. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, results of operations, financial condition and cash flows.

Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our drug development programs.

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical study data from completed or ongoing clinical studies for a product candidate could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of any product candidates could be delayed.

Risks related to intellectual property

If we fail to comply with our obligations in our intellectual property licenses with third parties, we could lose license rights that are important to our business.

We are a party to intellectual property license agreements with third parties, including with respect to somavaratan, and expect to enter into additional license agreements in the future. Our existing license agreements impose, and we expect that our future license agreements will impose, various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with these obligations, our licensors may have the right to terminate these agreements, in which event we may not be able to develop and market any product that is covered by these agreements. For example, we license substantially all of the intellectual property relating to somavaratan from Amunix, and the loss of our license agreement with Amunix would therefore materially adversely affect our ability to proceed with any development or potential commercialization of our product candidates as currently planned. Amunix has the right to terminate the license upon 30 days' written notice with respect to a particular target and the related products if (i) during any consecutive 18 month period our cumulative funding of research, development and commercialization activities in

respect of such target is not at least $25 0,000, in which case we would have the right to extend the applicable 18 month period by paying Amunix $150,000; or (ii) if we do not use commercially reasonable measures to develop and commercialize licensed products based on such target. Termination of t his license, or reduction or elimination of our licensed rights under it or any other license, may result in our having to negotiate new or reinstated licenses on less favorable terms or our not having sufficient intellectual property rights to operate our business. The occurrence of such events could materially harm our business and financial condition.

The risks described elsewhere pertaining to our intellectual property rights also apply to the intellectual property rights that we license, and any failure by us or our licensors to obtain, maintain, defend and enforce these rights could have a material adverse effect on our business. In some cases we do not have control over the prosecution, maintenance or enforcement of the patents that we license, and may not have sufficient ability to provide input into the patent prosecution, maintenance and defense process with respect to such patents, and our licensors may fail to take the steps that we believe are necessary or desirable in order to obtain, maintain, defend and enforce the licensed patents. We are also required to reimburse Amunix for certain costs incurred in prosecuting, maintaining, defending and enforcing the licensed patents.

Our ability to successfully commercialize our technology and products may be materially adversely affected if we are unable to obtain and maintain effective intellectual property rights for our technologies and product candidates, or if the scope of the intellectual property protection is not sufficiently broad.

Our success depends in large part on our and our licensors' ability to obtain and maintain patent and other intellectual property protection in the United States and in other countries with respect to our proprietary technology and products.

We license substantially all of the intellectual property relating to somavaratan from Amunix. We do not presently own any issued patents or pending patent applications, and our license agreement with Amunix provides that inventions relating to somavaratan are owned by Amunix. We are therefore dependent on Amunix to apply for, prosecute, maintain, defend and, in some cases, enforce the patent rights necessary to conduct our business. However, we cannot be certain this will be done in a manner consistent with the best interests of our business. The process of applying for patents is expensive and time-consuming, and Amunix may not, or may not be able to, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or Amunix will fail to identify patentable aspects of our respective research and development output before it is too late to obtain patent protection. While Amunix has obtained a number of patents relating to the XTEN technology, and applied for a number of other patents relating to the XTEN technology in general, and somavaratan in particular, we cannot assure you that any pending or future applications will result in issued patents, and the existing Amunix patents that we license, and any future patents they obtain may not be sufficiently broad to prevent others from using our technologies or from developing competing products and technologies. Under our license agreement with Amunix, we are obligated to use commercially reasonable efforts to develop and commercialize certain products that we license from Amunix and to maintain minimum rates of spending on research, development and commercialization. In exchange, we retain a limited, exclusive license from Amunix to relevant patents and know-how related to XTEN technology. If we fail to fulfill our obligations under the agreement, Amunix could terminate the agreement.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain and involves complex legal and factual questions for which legal principles remain unresolved. In recent years patent rights have been the subject of significant litigation. As a result, the issuance, scope, validity, enforceability and commercial value of the patent rights we rely on are highly uncertain. Pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of the patents we rely on or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that our licensors were the first to make the inventions claimed in our licensed patents or pending patent applications, or that we or our licensors were the first to file for patent protection of such inventions. Assuming the other requirements for patentability are met, prior to March 16, 2013, in the United States, the first to make the claimed invention is entitled to the patent, while outside the United States, the first to file a patent application is entitled to the patent.

Even if the patent applications we rely on issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitor s may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and the patents we rely on may be chal lenged in the courts or patent offices in the United States and abroad. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or co mmercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, paten ts protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours or otherwise provide us with a competitive advantage.

Finally, certain of Amunix's activities have been funded, and may in the future be funded, by the U.S. government. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents, including the right to a nonexclusive license authorizing the government to use the invention. These rights may permit the government to disclose our confidential information to third parties and to exercise "march-in" rights to use or allow third parties to use Amunix's patented technology. The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the U.S. government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give preference to U.S. industry. In addition, U.S. government-funded inventions must be reported to the government, U.S. government funding must be disclosed in any resulting patent applications, and Amunix's rights in such inventions may be subject to certain requirements to manufacture products in the United States.

We may become involved in legal proceedings to protect or enforce our intellectual property rights, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe or otherwise violate the patents we rely on, or our other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. In addition, in an infringement proceeding, a court may decide that a patent we are asserting is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that the patents we are asserting do not cover the technology in question. An adverse result in any litigation proceeding could put one or more patents at risk of being invalidated or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Interference or derivation proceedings provoked by third parties or brought by the United States Patent and Trademark Office, or USPTO, or any foreign patent authority may be necessary to determine the priority of inventions or other matters of inventorship with respect to patents and patent applications. We or our licensers may become involved in proceedings, including oppositions, interferences, derivation proceedings inter partes reviews, patent nullification proceedings, or re-examinations, challenging our patent rights or the patent rights of others, and the outcome of any such proceedings are highly uncertain. For example, Novo Nordisk A/S filed oppositions to two issued European patents relating to the XTEN technology. One of the oppositions resulted in an adverse initial decision by the European Patent Office that is currently under appeal. The patent remains in effect until complete adjudication of the appeal, which typically is a multi-year process. An adverse final determination in any such proceeding could reduce the scope of, or invalidate, our important patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Our business also could be harmed if a prevailing party does not offer us a license on commercially reasonable terms, if any license is offered at all. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may also become involved in disputes with others regarding the ownership of intellectual property rights. For example, we hold material service agreements with certain parties, including Amunix, and disagreements may therefore arise as to the ownership of any intellectual property developed pursuant to these relationships. If we are unable to resolve these disputes, we could lose valuable intellectual property rights.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and/or management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. Uncertainties resulting from the initiation and continuation of intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability and the ability of our collaborators to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing, misappropriating or otherwise violating the proprietary rights or intellectual property of third parties. We may become party to, or be threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing or future intellectual property rights. If we are found to infringe a third-party's intellectual property rights, we could be required to obtain a license from such third-party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle pending or threatened litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us, and could require us to pay significant royalties and other fees. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. These and other claims that we have misappropriated the confidential information or trade secrets of third parties can have a similar negative impact on our business to the infringement claims discussed above.

Even if we are successful in defending against intellectual property claims, litigation or other legal proceedings relating to such claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of litigation or other intellectual property related proceedings could have a material adverse effect on our ability to compete in the marketplace.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected, harming our business and competitive position.

In addition to patent protection, we rely upon confidential proprietary information, including trade secrets, unpatented know-how, technology and other proprietary information, to develop and maintain our competitive position. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in the market. We seek to protect our confidential proprietary information, in part, by entering into confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us. These agreements are designed to protect our proprietary information, however, we cannot be certain that our trade secrets and other confidential information will not be disclosed or that competitors will not otherwise gain access to our trade secrets, or that technology relevant to our business will not be independently developed by a person that is not a party to such an agreement. Furthermore, if the employees, consultants or collaborators that are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations. Further, our trade secrets could be disclosed, misappropriated or otherwise become known or be independently discovered by our competitors. In addition, intellectual property laws in foreign countries may not protect trade secrets and confidential information to the same extent as the laws of the United States. If we are unable to prevent disclosure of the intellectual property related to our technologies to third parties, we may not be able to establish or maintain a competitive advantage in our market, which would harm our ability to protect our rights and have a material adverse effect on our business.

We may not be able to protect and/or enforce our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive to us and to our licensors. Competitors may use our technologies in jurisdictions where we or our licensors have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as in the United States. These products may compete with our products in jurisdictions where we or our licensors do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing. Many companies have encountered significant problems in

protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost to us and divert our efforts and attention from other aspects of our business.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. The following examples are illustrative:

- Others may be able to make products that are similar to our product candidates but that are not covered by the claims of the patents that we license;
- Our licensors or collaborators might not have been the first to make the inventions covered by an issued patent or pending patent application;
- Our licensors or collaborators might not have been the first to file patent applications covering an invention;
- Others may independently develop similar or alternative technologies or duplicate any of our or our licensors' technologies without infringing our intellectual property rights;
- Pending patent applications may not lead to issued patents;
- Issued patents may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- Our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- We may not develop or in-license additional proprietary technologies that are patentable; and
- The patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business, results of operations and prospects.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid by us and/or our licensors to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the licensed patents and/or applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to use our technologies and those technologies licensed to us and this circumstance would have a material adverse effect on our business.

Patent reform legislation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of our issued patents.

In March 2013, under the America Invents Act, or AIA, the United States moved to a first-to-file system and made certain other changes to its patent laws. The effects of these changes are currently unclear as the USPTO must still implement various regulations, the courts have yet to address these provisions and the applicability of the act and new regulations on specific patents discussed herein have not been determined and would need to be reviewed. Accordingly, it is not yet clear what, if any, impact the AIA will have on the operation of our business. However, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents, all of which could have a material adverse effect on our business and financial condition.

If our third party licensors do not obtain a patent term extension in the United States under the Hatch-Waxman Act and in foreign countries under similar legislation, thereby potentially extending the term of our marketing exclusivity for our product candi dates, our business may be materially harmed.

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, if any, one or more of the U.S. patents covering our approved product(s) or the use thereof may be eligible for up to five years of patent term restoration under the Hatch-Waxman Act. The Hatch-Waxman Act allows a maximum of one patent to be extended per FDA approved product. Patent term extension also may be available in certain foreign countries upon regulatory approval of our product candidates. Nevertheless, we or our licensors may not be granted patent term extension either in the United States or in any foreign country in the event, for example, we or our licensors fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the term of extension, as well as the scope of patent protection during any such extension, afforded by the governmental authority could be less than we request.

If we or our licensors are unable to obtain patent term extension or restoration, or the term of any such extension is less than requested, the period during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially.

Risks related to government regulation

The regulatory approval process is expensive, time consuming and uncertain and may prevent us or our collaboration partners from obtaining approvals for the commercialization of our product candidates.

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing and distribution of drug products are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, which regulations differ from country to country. Neither we nor our collaboration partners are permitted to market our product candidates in the United States until we receive approval of a BLA from the FDA. Neither we nor our collaboration partners have submitted an application or received marketing approval for somavaratan or any future product candidates. Obtaining approval of a BLA can be a lengthy, expensive and uncertain process. In addition, failure to comply with FDA and other applicable U.S. and foreign regulatory requirements may subject us to administrative or judicially imposed sanctions, including the following:

- warning letters;
- civil or criminal penalties and fines;
- injunctions;
- suspension or withdrawal of regulatory approval;
- suspension of any ongoing clinical studies;
- voluntary or mandatory product recalls and publicity requirements;
- refusal to accept or approve applications for marketing approval of new drugs or biologics or supplements to approved applications filed by us;
- restrictions on operations, including costly new manufacturing requirements; or
- seizure or detention of our products or import bans.

Prior to receiving approval to commercialize any of our product candidates in the United States or abroad, we and our collaboration partners must demonstrate with substantial evidence from well-controlled clinical studies, and to the satisfaction of the FDA and other regulatory authorities abroad, that such product candidates are safe and effective for their intended uses. Results from preclinical studies and clinical studies can be interpreted in different ways. Even if we and our collaboration partners believe the preclinical or clinical data for our product candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Administering any of our product candidates to humans may produce undesirable side effects, which could interrupt, delay or cause suspension of clinical studies of our product candidates and result in the FDA or other regulatory authorities denying approval of our product candidates for any or all targeted indications.

Regulatory approval of a BLA is not guaranteed, and the approval process is expensive and may take several years. The FDA also has substantial discretion in the approval process. Despite the time and expense exerted, failure can occur at any st age, and we could encounter problems that cause us to abandon or repeat clinical studies, or perform additional preclinical studies and clinical studies. The number of preclinical studies and clinical studies that will be required for FDA approval varies d epending on the product candidate, the disease or condition that the product candidate is designed to address and the regulations applicable to any particular product candidate. The FDA can delay, limit or deny approval of a product candidate for many reas ons, including, but not limited to, the following:

- a product candidate may not be deemed safe or effective;
- FDA officials may not find the data from preclinical studies and clinical studies sufficient;
- the FDA might not approve our or our third-party manufacturer's processes or facilities; or
- the FDA may change its approval policies or adopt new regulations.

If somavaratan or any future product candidates fail to demonstrate safety and efficacy in clinical studies or do not gain regulatory approval, our business and results of operations will be materially and adversely harmed.

Even if we receive regulatory approval for a product candidate, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and subject us to penalties if we fail to comply with applicable regulatory requirements.

Once regulatory approval has been granted, the approved product and its manufacturer are subject to continual review by the FDA and/or non-U.S. regulatory authorities. Any regulatory approval that we or any future collaboration partners receive for somavaratan or any future product candidates may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for potentially costly post-marketing follow-up studies to monitor the safety and efficacy of the product. In addition, if the FDA and/or non-U.S. regulatory authorities approve somavaratan or any future product candidates, we will be subject to extensive and ongoing regulatory requirements by the FDA and other regulatory authorities with regard to the labeling, packaging, adverse event reporting, storage, advertising, promotion and recordkeeping for our products. In addition, manufacturers of our drug products are required to comply with cGMP regulations, which include requirements related to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Further, regulatory authorities must approve these manufacturing facilities before they can be used to manufacture our drug products, and these facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations. If we or a third party discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory authority may impose restrictions on that product, the manufacturer or us, including requiring withdrawal of the product from the market or suspension of manufacturing. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with regulatory requirements of the FDA and/or other non-U.S. regulatory authorities, we could be subject to administrative or judicially imposed sanctions, including the following:

- warning letters;
- civil or criminal penalties and fines;
- injunctions;
- suspension or withdrawal of regulatory approval;
- suspension of any ongoing clinical studies;
- voluntary or mandatory product recalls and publicity requirements;
- refusal to accept or approve applications for marketing approval of new drugs or biologics or supplements to approved applications filed by us;
- restrictions on operations, including costly new manufacturing requirements; or
- seizure or detention of our products or import bans.

The regulatory requirements and policies may change and additional government regulations may be enacted with which we may also be required to comply. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or in other countries. If we are not able to maintain regulatory compliance, we may not be permitted to market our future products and our business may suffer.

Failure to obtain regulatory approvals in foreign jurisdictions will prevent us from marketing our products internationally.

We intend to seek a distribution and marketing partner for somavaratan outside the United States and may market future products in international markets. In order to market our future products in regions such as the European Economic Area, or EEA, Asia Pacific, or APAC, and many other foreign jurisdictions, we must obtain separate regulatory approvals.

For example, in the EEA, medicinal products can only be commercialized after obtaining a Marketing Authorization, or MA. Before granting the MA, the European Medicines Agency or the competent authorities of the member states of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy. In Japan, the PMDA of the Ministry of Health Labour and Welfare, or MHLW, must approve an application under the Pharmaceutical Affairs Act before a new drug product may be marketed in Japan.

We have had limited interactions with foreign regulatory authorities. The approval procedures vary among countries and can involve additional clinical testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Moreover, clinical studies conducted in one country may not be accepted by regulatory authorities in other countries. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and even if we file we may not receive necessary approvals to commercialize our products in any market.

Healthcare reform measures could hinder or prevent our product candidates' commercial success.

In the United States, there have been and we expect there will continue to be a number of legislative and regulatory changes to the healthcare system in ways that could affect our future revenue and profitability and the future revenue and profitability of our potential customers. Federal and state lawmakers regularly propose and, at times, enact legislation that would result in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. For example, one of the most significant healthcare reform measures in decades, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, collectively, the ACA, was enacted in 2010. The ACA contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, all of which will impact existing government healthcare programs and will result in the development of new programs. The ACA, among other things:

- imposes a non-deductible annual fee on pharmaceutical manufacturers or importers who sell "branded prescription drugs," effective 2011;
- increases the minimum level of Medicaid rebates payable by manufacturers of brand-name drugs from 15.1% to 23.1%, effective 2011;
- could result in the imposition of injunctions;
- requires collection of rebates for drugs paid by Medicaid managed care organizations;
- requires manufacturers to participate in a coverage gap discount program, under which they must agree to offer 50% point-of-sale discounts off negotiated prices of applicable branded drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D; and
- creates a process for approval of biologic therapies that are similar or identical to approved biologics.

While the U.S. Supreme Court upheld the constitutionality of most elements of the ACA in June 2012, other legal challenges are still pending final adjudication in several jurisdictions. In addition, Congress has also proposed a number of legislative initiatives, including possible repeal of the ACA. At this time, it remains unclear whether there will be any changes made to the ACA, whether to certain provisions or its entirety. We cannot assure you that the ACA, as currently enacted or as amended in the future, will not adversely affect our business and financial results and we cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. For example, the Budget Control Act of 2011, among other things, created the Joint Select Committee on Deficit Reduction to recommend proposals for spending reductions to Congress. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, which triggered the legislation's automatic reduction to several government programs, including aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which delayed for another two months the budget cuts mandated by the sequestration provisions of the Budget Control Act of 2011. The ATRA, among other things, also reduced

Medicare payments to several providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. In March 2013, the President signed an execu tive order implementing sequestration, and in April 2013, the 2% Medicare reductions went into effect. We cannot predict whether any additional legislative changes will affect our business.

There likely will continue to be legislative and regulatory proposals at the federal and state levels directed at containing or lowering the cost of health care. We cannot predict the initiatives that may be adopted in the future or their full impact. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of health care may adversely affect:

- our ability to set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability; and
- the availability of capital.

Further, changes in regulatory requirements and guidance may occur and we may need to amend clinical study protocols to reflect these changes. Amendments may require us to resubmit our clinical study protocols to Institutional Review Boards for reexamination, which may impact the costs, timing or successful completion of a clinical study. In light of widely publicized events concerning the safety risk of certain drug products, regulatory authorities, members of Congress, the Governmental Accounting Office, medical professionals and the general public have raised concerns about potential drug safety issues. These events have resulted in the recall and withdrawal of drug products, revisions to drug labeling that further limit use of the drug products and establishment of risk management programs that may, for instance, restrict distribution of drug products or require safety surveillance and/or patient education. The increased attention to drug safety issues may result in a more cautious approach by the FDA to clinical studies and the drug approval process. Data from clinical studies may receive greater scrutiny with respect to safety, which may make the FDA or other regulatory authorities more likely to terminate or suspend clinical studies before completion, or require longer or additional clinical studies that may result in substantial additional expense and a delay or failure in obtaining approval or approval for a more limited indication than originally sought.

Given the serious public health risks of high profile adverse safety events with certain drug products, the FDA may require, as a condition of approval, costly risk evaluation and mitigation strategies, which may include safety surveillance, restricted distribution and use, patient education, enhanced labeling, special packaging or labeling, expedited reporting of certain adverse events, preapproval of promotional materials and restrictions on direct-to-consumer advertising.

If we fail to comply with healthcare regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

Even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. We could be subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The regulations that may affect our ability to operate include, without limitation:

- the federal healthcare program Anti-Kickback Statute, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as the Medicare and Medicaid programs;
- indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programs, such as the Medicare and Medicaid programs;
- the federal False Claims Act, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the federal government, and which may apply to entities like us which provide coding and billing advice to customers;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal transparency requirements under the Health Care Reform Law requires manufacturers of drugs, devices, biologics and medical supplies to report to the Department of Health and Human Services information related to physician payments and other transfers of value and physician ownership and investment interests;

- the federal Health Insurance Portability and Accountability Act of 1 996, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

The ACA, among other things, amends the intent requirement of the Federal Anti-Kickback Statute and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the ACA provides that the government may assert that a claim including items or services resulting from a violation of the Federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security and fraud laws may prove costly.

Risks related to ownership of our common stock

Our stock price may be volatile, and investors in our common stock could incur substantial losses.

Our stock price has fluctuated in the past and may be volatile in the future. From January 1, 2015 through October 31, 2016 the reported sale price of our common stock has fluctuated between $6.41 and $23.46 per share. The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors, including the following:

- the success of competitive products or technologies;
- results of clinical studies of somavaratan or future product candidates or those of our competitors;
- regulatory or legal developments in the United States and other countries, especially changes in laws or regulations applicable to our products;
- introductions and announcements of new products by us, our commercialization partners, or our competitors, and the timing of these introductions or announcements;
- actions taken by regulatory agencies with respect to our products, clinical studies, manufacturing process or sales and marketing terms;
- variations in our financial results or those of companies that are perceived to be similar to us;
- the success of our efforts to acquire or in-license additional products or product candidates;
- developments concerning our collaborations, including but not limited to those with our sources of manufacturing supply and our commercialization partners;
- developments concerning our ability to bring our manufacturing processes to scale in a cost-effective manner;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- developments or disputes concerning patents or other proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our products;
- our ability or inability to raise additional capital and the terms on which we raise it;
- the recruitment or departure of key personnel;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- actual or anticipated changes in earnings estimates or changes in stock market analyst recommendations regarding our common stock, other comparable companies or our industry generally;
- trading volume of our common stock;
- sales of our common stock by us or our stockholders;

- general economic, industry and market conditions; and
- the other risks described in this "Risk factors" section.

These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our executive officers, directors and principal stockholders will continue to maintain the ability to control or significantly influence all matters submitted to stockholders for approval.

As of October 31, 2016, our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock, in the aggregate, beneficially owned shares representing approximately 80% of our common stock. As a result, if these stockholders were to choose to act together, they would be able to control or significantly influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these stockholders, if they choose to act together, will control or significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

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

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the other rules and regulations of the Securities and Exchange Commission, or SEC, and the rules and regulations of The NASDAQ Global Select Market, or NASDAQ. Compliance with the various reporting and other requirements applicable to public companies requires considerable time and attention of management. For example, the Sarbanes-Oxley Act and the rules of the SEC and national securities exchanges have imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls. Our management and other personnel are devoting and will continue to need to devote a substantial amount of time to these compliance initiatives. These rules and regulations will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. The impact of these events could also make it more difficult for us to attract and retain qualified personnel to serve on our board of directors, our board committees, or as executive officers

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. In addition, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting beginning with our annual report on Form 10-K following the date on which we are no longer an emerging growth company. Our compliance with Section 404 of the Sarbanes-Oxley Act will require that we incur substantial accounting expense and expend significant management efforts. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

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

In connection with our preparations for becoming a public company, we identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our condensed consolidated financial statements. If we fail to remediate one or more of our material weaknesses in the fut ure or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim condensed consolidated financial statements will not be prevented or detected on a timely basis.

Prior to the completion of our initial public offering, we were a private company with limited accounting personnel and other resources to address our internal control over financial reporting. During the course of preparing for our initial public offering, we determined that material adjustments to various accounts were necessary, which required us to restate the financial statements as of and for the years ended December 31, 2012 and 2011 and for the period from inception (December 10, 2008) through December 31, 2012 that had been previously audited by another independent audit firm. These adjustments leading to a restatement of those financial statements led us to conclude that we had a material weakness in internal control over financial reporting as of December 31, 2012. The material weakness that we identified was that we did not maintain a sufficient complement of resources with an appropriate level of accounting knowledge, experience and training commensurate with our structure and financial reporting requirements.

This material weakness contributed to adjustments to previously issued financial statements principally, but not limited to, the following areas: equity accounting in connection with our issuance of Series A and B convertible preferred stock and period-end cutoff for clinical trial related expenses.

While we have been successful in our efforts to remediate this particular material weakness we cannot assure you that we will be able to prevent or remediate any additional weaknesses in the future, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows. If we are unable to successfully prevent or remediate any additional material weaknesses in the future, and if we are unable to produce accurate and timely consolidated financial statements, including our filing of quarterly reports with the SEC on a timely and accurate basis, our stock price may be adversely affected and we may be unable to maintain compliance with applicable NASDAQ listing requirements.

An active trading market for our common stock may not be maintained.

Our common stock is currently traded on NASDAQ, but we can provide no assurance that we will be able to maintain an active trading market for our shares on NASDAQ or any other exchange in the future. If there is no active market for our common stock, it may be difficult for our stockholders to sell shares without depressing the market price for the shares or at all.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our stock price and trading volume could decline.

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts may cease to publish research on our company at any time in their discretion. If one or more of these analysts cease coverage of our company, or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price and trading volume to decline. In addition, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If our operating results fail to meet the forecast of analysts, our stock price would likely decline.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include the following:

- our board of directors is divided into three classes with staggered three-year terms which may delay or prevent a change of our management or a change in control;
- our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- our stockholders are not able to act by written consent or call special stockholders' meetings; as a result, a holder, or holders, controlling a majority of our capital stock are not able to take certain actions other than at annual stockholders' meetings or special stockholders' meetings called by the board of directors, the chairman of the board, the chief executive officer or the president;
- our certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- our stockholders are required to provide advance notice and additional disclosures in order to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and
- our board of directors are able to issue, without stockholder approval, shares of undesignated preferred stock, which makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our employment arrangements with our executive officers may require us to pay severance benefits to any of those persons who are terminated in connection with a change in control of us, which could harm our financial condition or results.

Certain of our executive officers are parties to employment or other agreements or participants under plans that contain change in control and severance provisions providing for aggregate cash payments for severance and other benefits and acceleration of vesting of stock options in the event of a termination of employment in connection with a change in control of us. The accelerated vesting of options could result in dilution to our existing stockholders and harm the market price of our common stock. The payment of these severance benefits could harm our financial condition and results. In addition, these potential severance payments may discourage or prevent third parties from seeking a business combination with us.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be our stockholders' sole source of gain.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of existing or any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

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

None

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporation by Reference			
		Form	SEC File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Versartis, Inc.	8-K	001-36361	3.1	03/26/2014
3.2	Amended and Restated Bylaws of Versartis, Inc.	S-1/A	333-193997	3.4	03/06/2014
4.1	Form of Stock Certificate	10-Q	001-36361	4.1	05/14/2014
10.1*^	Exclusive License and Supply Agreement by and between Versartis, Inc. and Teijin Limited dated August 5, 2016				
31.1*	Certification required by Rule 13a-14(a) or Rule 15d-14(a).				
31.2*	Certification required by Rule 13a-14(a) or Rule 15d-14(a).				
32.1*+	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)				
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				

* Filed Herewith.

^ Confidential treatment has been requested as to certain portions, which portions have been separately filed with the Securities and Exchange Commission.

\+ This certification accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

VERSARTIS, INC.
(Registrant)

Date: November 4, 2016

/s/ Jay Shepard
Jay Shepard
Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2016

/s/ Joshua T. Brumm
Joshua T. Brumm
Chief Financial Officer
(Principal Financial and Accounting Officer)

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

Exhibit 10.1

EXCLUSIVE LICENSE AND SUPPLY AGREEMENT

by and between

VERSARTIS GmbH, VERSARTIS, INC.

and

TEIJIN LIMITED

EXCLUSIVE LICENSE AND SUPPLY AGREEMENT

This **EXCLUSIVE LICENSE AND SUPPLY AGREEMENT** (this " **Agreement** ") effective as of August 5, 2016 (the " **Effective Date** "), is by and between Versartis GmbH, a corporation organized and existing under the laws of Switzerland, with an address at Muhlenberg 7, 4052 Basel, Switzerland (" **GmbH** "), and **VERSARTIS, INC.** , a corporation organized and existing under the laws of Delaware, USA, with an address at 4200 Bohannon Drive #250, Menlo Park, CA 94025, on behalf of itself and its Affiliates (collectively, " **Versartis US** "), (Versartis US and GmbH referred to herein collectively as " **Versartis** "), on the one hand, and **TEIJIN LIMITED** , a company organized and existing under the laws of Japan, with an address at 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan (" **Teijin** "), on the other hand. Versartis and Teijin may be referred to herein each as a " **Party** " and collectively as the " **Parties** ".

RECITALS

WHEREAS, Versartis has developed, and currently have in the United States, Europe, and Japan ongoing clinical trials for, a proprietary compound known as somavaratan, or VRS-317 , for the treatment of growth hormone deficiency;

WHEREAS, Teijin is a Japanese company with experience in developing and commercializing pharmaceutical products in Japan;

WHEREAS, Teijin wishes to obtain exclusive rights to seek regulatory approval for, market and sell somavaratan in Japan, as more fully described below, and Versartis wishes to grant such rights to Teijin as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 " **Acquisition** " has the meaning set forth in Section 16.2.4.

1.2 " **Adverse Event** " means any adverse medical occurrence in a patient or clinical investigation subject to whom a Licensed Compound is administered and which could but does not necessarily have a causal relationship with the Licensed Compound, including any unfavorable and unintended sign (including an abnormal laboratory finding, for example), symptom, or disease temporally associated with the administration of the Licensed Compound, whether or not considered related to Licensed Compound administration.

1.3 " **Affiliate** " with respect to a Party means an individual, trust, business trust, joint venture, partnership, corporation, association, or other legal entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with that Party . For purposes of this definition, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" means (a) the possession, directly or

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

indirectly, of the power to direct the management or policies of a legal entity, whether through the ownership of voting securities or by contract relating to voting rights or corporate governance, or (b) the ownership, directly or indirectly, of 50% or more of the voting securities or other ownership interest of a legal entity; provided, that if local law restricts foreign ownership, control will be established by direct or indirect ownership of the maximum ownership percentage that may, under such local law, be owned by foreign interests.

1.4 " **Alliance Manager** " has the meaning set forth in Section 3.6.

1.5 " **ANS** " has the meaning set forth in Section 7.4.4.

1.6 " **Anticipating Party** " has the meaning set forth in Section 14.4.

1.7 " **Applicable Laws** " means any federal, state, local, national, and supra-national laws, statutes, rules, and/or regulations, including any rules, regulations, guidance, guidelines, or requirements of Regulatory Authorities, national securities exchanges, or securities listing organizations, that may be in effect from time to time during the Term and apply to a particular activity hereunder and including laws, regulations, and guidelines governing the import, export, development, manufacture, marketing, distribution, or sale of any Licensed Product in or for the Territory.

1.8 " **Biosimilar Product** " has the meaning set forth in Section 7.6.1.1.

1.9 " **Business Combination** " has the meaning set forth in Section 16.2.4.

1.10 " **Business Day** " means a day that is not a Saturday, Sunday, or a day on which banking institutions in Tokyo, Japan, or San Francisco, California, are required by law to remain closed.

1.11 " **Calendar Quarter** " means each successive period of three (3) consecutive calendar months ending on March 31, June 30, September 30, or December 31; provided, however that (a) the first Calendar Quarter of the Term shall extend from the Effective Date to the last day of the Calendar Quarter in which the Effective Date falls; and (b) the last Calendar Quarter of the Term shall end upon the expiration or termination of this Agreement.

1.12 " **Calendar Year** " means each successive period of twelve (12) months commencing on January 1 and ending on December 31; provided however, that (a) the first Calendar Year of the Term shall extend from the Effective Date to the last day of the Calendar Year in which the Effective Date falls; and (b) the last Calendar Year of the Term shall end upon the expiration or termination of this Agreement.

1.13 " **Claims** " has the meaning set forth in Section 13.1.

1.14 " **Clinical Drug Product Requirements Forecast** " has the meaning set forth in Section 9.1.1.

1.15 " **Commercial Supply Agreement** " has the meaning set forth in Section 9.2.

1.16 " **Commercialization** " means any and all activities undertaken before and after obtaining Regulatory Approval relating specifically to the pre-launch, launch, promotion, marketing, sale, and distribution (including importing, exporting, transporting, customs clearance, warehousing, invoicing, handling, and delivering the Licensed Product to customers) of the Licensed Product, including: (a) strategic marketing, sales force detailing, advertising, medical education and liaison, and market and product support within the Field; (b) any post-approval clinical trials, and (c) all customer support, invoicing and sales activities within the Field. " **Commercialize** " means to engage in Commercialization activities.

1.17 " **Commercially Reasonable Efforts** " means, with respect to a Party in the performance of its obligations hereunder in relation to Licensed Products, the application by or on behalf of such Party of a level of efforts that a similarly-situated pharmaceutical or biotechnology company, as the case may be, would apply to such activities in relation to a similar pharmaceutical product owned by it or to which it has exclusive rights, which product is at a similar stage in its development or product life and is of similar market potential and strategic value (in each case as compared to the Licensed Product) taking into account efficacy, safety, expected labeling, the competitiveness of alternative products in the marketplace sold by Third Parties, the patent and other proprietary position of the product, the likelihood of regulatory approval given the regulatory structure involved, the expected and actual profitability of the product including the royalties payable to licensors, and other relevant factors, based on conditions then prevailing.

1.18 " **Confidential Information** " means all information of a confidential or proprietary nature disclosed by a Party to the other Party under this Agreement, including any such information related to any scientific, clinical, engineering, manufacturing, marketing, financial, or personnel matters relating to a Party, or related to a Party's present or future products, sales, suppliers, customers, employees, investors, business plans, Know-How, regulatory filings, data, compounds, research projects, work in progress, future developments or business, in all such cases whether disclosed in oral, written, graphic or electronic form, and whether or not specifically marked as confidential or proprietary, where under the circumstances in which such disclosure was made or given the nature of information disclosed, a reasonable person would consider such information confidential; provided, however, that in any event, Confidential Information excludes any information that (a) is known by recipient at the time of disclosure, and not through a prior disclosure by or on behalf of the disclosing Party, as documented by written records; (b) is or becomes properly in the public domain through no fault of the receiving Party; (c) is subsequently rightfully disclosed to the receiving Party by a Third Party who is not directly or indirectly under an obligation of confidentiality to the disclosing Party, as documented by written records in existence prior to the disclosure of such information to the receiving Party; or (d) is developed by the receiving Party independently of, and without reference to or use of, the information received from the disclosing Party. Confidential Information shall include: (a) the terms and conditions of this Agreement; and (b) Confidential Information disclosed by either Party pursuant to the Confidentiality Agreement.

1.19 " **Confidentiality Agreement** " means that certain Mutual Non-Disclosure Agreement between Versartis and Teijin dated as of February 27, 2014 and extended on March 27, 2015 and March 2, 2016.

1.20 " **Control** " means with respect to any Know-How, Patent, or other intellectual property right, possession of the right, whether directly or indirectly, and whether by ownership, license, or otherwise, to grant a license, sublicense, or other right to or under, such Know-How, Patent, or other intellectual property right as provided for herein without violating the terms of any agreement or other arrangements with any Third Party at the time when such license, sublicense, or other right is first granted hereunder.

1.21 " **Controlling Affiliate** " has the meaning set forth in Section 2.8.2.

1.22 " **CTN** " means the Clinical Trial Notification filed with Japan's Pharmaceuticals and Medical Devices Agency for the purpose of conducting clinical trials of a pharmaceutically active agent in humans in Japan.

1.23 " **Data** " means any and all scientific, technical, test, marketing, or sales data pertaining to any Licensed Product that is generated by or on behalf of Versartis or its Affiliates, or Teijin, its Affiliates, and Sublicensees, including research data, clinical pharmacology data, pre-clinical data, clinical data, clinical study reports, or submissions made in association with an IND, a CTN, or an MAA with respect to any Licensed Product.

1.24 " **Development** " means all development activities for the Licensed Product that are directed to obtaining Regulatory Approval(s) of the Licensed Product, including all non-clinical, preclinical, and clinical testing and studies of the Licensed Product; toxicology, pharmacokinetic, and pharmacological studies; statistical analyses; assay development; protocol design and development; the preparation, filing, and prosecution of any MAA for the Licensed Product; development activities directed to label expansion and/or obtaining Regulatory Approval for one or more additional indications following initial Regulatory Approval; development activities conducted after receipt of Regulatory Approval; and all regulatory affairs related to any of the foregoing. " **Develop** " and " **Developing** " have correlative meanings.

1.25 " **Development Costs** " means, with respect to any Development activities, [*]. For clarity, [*]. Notwithstanding the foregoing, Development Costs shall not include [*].

1.26 " **Development Plan** " has the meaning set forth in Section 4.8.

1.27 " **Development Proposal** " has the meaning set forth in Section 4.6.1.

1.28 " **Drug Product** " means, for a given Licensed Product, unlabeled product comprising (i) the Licensed Compound in its final dosage form for such Licensed Product and (ii) the applicable delivery device, if any.

1.29 " **ENS** " has the meaning set forth in Section 7.4.2.

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1.30 " **Exchange Act** " means the U.S. Securities Exchange Act of 1934, as amended, and the rules, regulations, and schedules promulgated thereunder.

1.31 " **Exchange Rate** " means [*].

1.32 " **Executive Officers** " means the Chief Executive Officer in the case of Versartis and the president of TPL in the case of Teijin.

1.33 " **Extended Term** " has the meaning set forth in Section 14.1.

1.34 " **FDA** " means the United States Food and Drug Administration or any successor agency thereto.

1.35 " **Field** " means the treatment of any and all diseases in humans, including GHD.

1.36 " **Finished Manufacture** " means the manufacture of Finished Product from Drug Product.

1.37 " **Finished Product** " means, with respect to a given Licensed Product, the applicable Drug Product packaged and labeled for commercial purposes in accordance with the applicable Specifications and legal requirements in the Territory, or the Drug Product along with its appropriate packaging and labeling in such other configuration as may be agreed upon by the Parties and set forth in the Commercial Supply Agreement.

1.38 " **First Commercial Sale** " means, with respect to the Territory, the first commercial sale under this Agreement by Teijin, its Affiliates, or its Sublicensees of any Licensed Product to an end user or prescriber for use, consumption, or resale in the Territory after obtaining Regulatory Approval for such Licensed Product. For the avoidance of doubt, sales of Licensed Products to an Affiliate or Sublicensee of Teijin shall not constitute a First Commercial Sale unless such Affiliate or Sublicensee is an end user or prescriber of the Licensed Product.

1.39 " **Fiscal Quarter** " means each successive period of three (3) consecutive calendar months ending on June 30, September 30, December 31, or March 31; provided, however that (a) the first Fiscal Quarter of the Term shall extend from the Effective Date to the last day of the Fiscal Quarter in which the Effective Date falls; and (b) the last Fiscal Quarter of the Term shall end upon the expiration or termination of this Agreement.

1.40 " **Fiscal Year** " means Teijin's fiscal year, which runs from April 1 to March 31 of the subsequent year.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

1.41 " **FTE** " means [*] hours of work per full Fiscal Year (or equivalent pro-rata portion thereof for a period less than twelve (12) months) devoted to or in support of the Development of Licensed Products in accordance with the applicable Development Plan and carried out by one or more qualified scientific or technical employees or consultants of either Party or its Affiliates, as such hours are measured in accordance with such Party's normal time allocation practices.

1.42 " **FTE Cost** " means, for any period, the FTE Rate multiplied by the number of FTEs in such period.

1.43 " **FTE Rate** " means a rate of [*] dollars ($[*]) per FTE per Fiscal Year (pro-rated for the period beginning on the Effective Date and ending at the end of the first Fiscal Year) for personnel engaged in Development activities. Such rate shall be adjusted annually, with each annual adjustment effective as of April 1 of each Fiscal Year (with the first such annual adjustment to be made as of April 1, 2018) to correspond with the total percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average, 1982-84 = 100, calculated by the U.S. Bureau of Labor Statistics over the twelve (12)-month period preceding each such January 1.

1.44 " **GAAP** " means generally accepted accounting principles applicable to a Party in a particular country (*e.g.* , Japanese Accounting Standards or U.S. Generally Accepted Accounting Principles) as consistently applied throughout the applicable periods indicated herein by or on behalf of the relevant Party .

1.45 " **GMP** " means the then-current good manufacturing practices required by the FDA and other Applicable Laws in the United States relating to the manufacture and testing of pharmaceutical materials, and comparable Applicable Laws and requirements of Regulatory Authorities in Japan relating to the manufacture and testing of pharmaceutical materials in the Territory, as they may be updated from time to time, including applicable rules and guidelines promulgated under the International Conference on Harmonization.

1.46 " **GHD** " means growth hormone deficiency.

1.47 " **Initial Term** " has the meaning set forth in Section 14.1.

1.48 " **In-License Agreements** " has the meaning set forth in Section 12.3.10.

1.49 " **IND** " means an Investigational New Drug Application filed with the FDA pursuant to 21 CFR 312.20, or the corresponding filing required for the clinical testing in humans of a pharmaceutical product in the Territory.

1.50 " **Indemnified Party** " has the meaning set forth in Section 13.3.

1.51 " **Indemnifying Party** " has the meaning set forth in Section 13.3.

1.52 " **Independent Development Work** " has the meaning set forth in Section 4.6.1.

1.53 “ **Independent Work Costs** ” has the meaning set forth in Section 4.6.1.

1.54 “ **Initial Development Budget** ” has the meaning set forth in Section 4.7.

1.55 “ **Initial Development Plan** ” has the meaning set forth in Section 4.7.

1.56 “ **Initial Indication** ” means Pediatric GHD.

1.57 “ **Invention** ” means any Versartis Invention or Teijin Invention.

1.58 “ **Japanese Ongoing Studies** ” has the meaning set forth in Section 4.2.

1.59 “ **Joint Development Work** ” has the meaning set forth in Section 4.6.1.

1.60 “ **Joint Work Costs** ” has the meaning set forth in Section 4.6.1.

1.61 “ **Joint Inventions** ” has the meaning set forth in Section 10.1.

1.62 “ **Joint Patents** ” has the meaning set forth in Section 10.3.3.

1.63 “ **JSC** ” has the meaning set forth in Section 3.1.

1.64 “ **Know-How** ” means any non-public knowledge, experience, know-how, technology, information, and Data, trade secrets, formulas and formulations, processes, techniques, unpatented inventions, methods, discoveries, specifications, formulations, compositions, materials, ideas, and developments, test procedures, and results, together with all documents and files embodying the foregoing, but excluding any Patents covering the foregoing.

1.65 “ **Knowledge** ” of a Party means the actual or constructive knowledge of the senior executives of such Party, including the chief executive officer, and any vice president, the general counsel , or the chief medical officer of a Party, or any personnel holding positions equivalent to such job titles (but only to the extent such positions exist at such Party).

1.66 “ **Latent Defect** ” means a defect in the Licensed Product or Licensed Compound, as applicable, which could not have been identified or detected by Teijin (or, if applicable, its Affiliates or Sublicensees) through application of reasonable and customary quality assurance and quality control practices, or other inspections or activities required under Applicable Law with respect to such Licensed Products, prior to distribution of such Licensed Product in the Territory.

1.67 “ **Lead Product** ” means that certain Licensed Product consisting of the Licensed Compound formulated for delivery using, and delivered by means of, the Lead Product Delivery Device.

1.68 “ **Lead Product Delivery Device** ” means, as of the Effective Date, that certain auto-injector device manufactured and supplied by Owen Mumford, for the delivery of Licensed Compound.

1.69 " **Licensed Compound** " means that certain fusion protein referred to as somavaratan or VRS-317, comprising recombinant human growth hormone (rhGH) and proprietary recombinant polypeptides based on the XTEN half-life technology.

1.70 " **Licensed Product** " means any pharmaceutical product containing the Licensed Compound as an active ingredient, in any formulation, mode of administration, presentation, or dosage, and as delivered by any mode of delivery.

1.71 " **Licensed Technology** " means the Versartis Patents and the Versartis Know-How. For the avoidance of doubt, all Versartis Inventions (including Versartis' rights to any Joint Inventions) shall be included within the Licensed Technology.

1.72 " **MAA** " means a Marketing Authorization Application or equivalent application, and all amendments and supplements thereto, filed with the applicable Regulatory Authority in the Territory.

1.73 " **Manufacturing Cost** " means the cost of Drug Product or Finished Product, as the case may be (" **Supplied Product** ") shipped, as follows:

1.73.1 With respect to Supplied Product manufactured by a Third Party under contract with Versartis, and supplied to Teijin by Third Party contract manufacturer(s) either directly to Teijin, or indirectly to Versartis for further supply to Teijin, the Manufacturing Cost shall mean the sum of (i) [*], (ii) [*]; and (iii) [*] for further supply to Teijin for Development or Commercialization in the Territory. As used herein " **Overhead Costs** " means [*].

1.73.2 With respect to Supplied Product manufactured by Versartis, if any, the Manufacturing Cost shall mean Direct Expenses, Indirect Expenses, and Versartis Overhead Costs incurred in, and reasonably allocable to, the manufacture of such Supplied Product.

1.73.2.1 " **Direct Expenses** " are [*]. Direct labor expenses include [*]. Direct Expenses also includes [*] .

1.73.2.2 " **Indirect Expenses** " means [*], but shall not include any Direct Expenses .

1.73.2.3 " **Versartis Overhead Costs** " are [*], cannot be included in Manufacturing Cost as either Direct Expenses or Indirect Expenses. Such Overhead Costs shall include, without limitation, [*]. The methodology to be used [*]. Further such methodology shall be consistent with GAAP and Versartis' methodology for other products and shall be consistent from year-to-year.

1.74 " **Marketing Plan** " has the meaning set forth in Section 6.2.

1.75 " **Medical Affairs Activities** " means: (a) the coordination of medical information requests and field based medical liaisons in the Territory with respect to Licensed Products commercially launched in the Territory ; and (b) those clinical studies conducted in or for the Territory after Regulatory Approval of a Licensed Product has been obtained which are neither intended nor designed to support a Regulatory Filing including medical affairs studies, post marketing studies, and investigator and physician-initiated studies , in all such cases initiated by or under the control or direction of Teijin .

1.76 " **Net Sales** " means with respect to any Licensed Product, the gross amounts invoiced by Teijin or its Affiliates or Sublicensees to any Third Party for sales of Licensed Products in the Territory, less the following deductions, to the extent such deductions are actually paid, incurred, or otherwise taken, and are reasonable and customary:

1.76.1 credits, refunds, or allowances to Third Party customers for spoiled, damaged, rejected, recalled, outdated, and reasonably returned Licensed Product ;

1.76.2 discounts, including cash, volume, quantity, and other trade discounts, charge-back payments, and rebates and allowances actually granted, incurred, or allowed in the ordinary course of business, as well as government-required discounts and allowances (including government rebates and other price reductions), and other reductions, concessions, and allowances that effectively reduce the selling price to Teijin or its Affiliates or Sublicensees;

1.76.3 transportation charges, freight, postage , and insurance (but only insurance related to protecting the particular shipment against physical loss or damage) if shown separately in the invoice ; and

1.76.4 sales, use , or excise Taxes and import/export duties or tariffs and similar governmental charges due or incurred in connection with the sales of such Licensed Product, if shown separately in the invoice.

Components of Net Sales shall be determined in the ordinary course of business in accordance with GAAP, consistently applied. For purposes of determining when a sale of any Licensed Product occurs for purposes of calculating Net Sales, the sale will be deemed to occur on the date of Teijin's shipment of the Licensed Product to the customer or wholesaler. No deductions will be permitted for commissions paid to individuals or agents, nor for the cost of collections. For purposes of determining Net Sales, a "sale" shall not include transfers or dispositions, at no cost or below cost, of Licensed Products for charitable, pre-clinical, clinical, or regulatory purposes, including for purposes of analytical testing, or for promotional samples or free goods. Amounts invoiced by Teijin or its Affiliates or its Sublicensees for the sale of Licensed Products to or among such Affiliates or Sublicensees for resale shall not be included in the computation of Net Sales hereunder.

In the event that Teijin sells a Licensed Product (a) to a Third Party in a bona fide arm's length transaction, for material consideration, in whole or in part, other than cash (but excluding, for the avoidance of doubt, consideration in the form of non-financial legal terms and conditions incident to sale), (b) to a Third Party in other than a bona fide arm's length transaction, or (c)

with discounts of Licensed Products that are disproportional to the discounts of other products sold by Teijin in conjunction with such Licensed Products, the Net Sales price for such Licensed Product shall be deemed to be the standard invoice price then being invoiced by Teijin in an arm's length transaction with similar customers in the Territory . In the event that Teijin includes one or more Licensed Products as part of a bundle of products, the price for such Licensed Product shall be deemed to be the standard invoice price for such Licensed Product when sold separately and not as part of a bundle of products.

1.77 " **New Studies** " has the meaning set forth in Section 4.6.1.

1.78 " **Non-Proposing Party** " has the meaning set forth in Section 4.6.1.

1.79 " **Patents** " means all patents, including any utility or design patent, and all applications thereof, including any provisional application, whether in the Territory or any other jurisdiction; any other patent or patent application claiming priority to (a) any such specified patent or patent application or (b) any patent or patent application from which such specified patent or patent application claim priority; and (c) all divisionals, continuations, continuations in-part, registrations, reissues, re-examinations, renewals, supplemental protection certificates, or extensions of (a) or (b).

1.80 " **Person** " means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, limited liability partnership, unincorporated organization, government (or any agency or political subdivision thereof) or other legal entity or organization.

1.81 " **Phase 1 Clinical Trial** " means a human clinical trial performed in accordance with the Applicable Laws in the Territory that provides for the first introduction of a Licensed Product into humans for the purpose of determining human tolerability, metabolism, biomarker, absorption, elimination and other pharmacological action.

1.82 " **Phase 2 Clinical Trial** " means a human clinical trial performed in accordance with the Applicable Laws in patients with a particular disease or condition which is designed to assess the safety, appropriate dosage, efficacy, and tolerability of a Licensed Product given its intended use and to initially explore its efficacy for such disease or condition and will include such a clinical trial intended to be a pivotal trial.

1.83 " **Phase 3 Clinical Trial** " means a registration or pivotal clinical trial performed in accordance with the Applicable Laws and conducted in subjects with a particular disease or condition which is designed in a controlled fashion to establish the efficacy and safety of a Licensed Product given its intended use and to define warnings, precautions, and adverse events that are associated with Licensed Product in the dosage range intended to be prescribed.

1.84 " **Phase 3 Studies Cap** " has the meaning set forth in Section 4.3.1.

1.85 " **Pricing Approval** " means the approval, agreement, determination or governmental decision establishing the cumulative price for the Licensed Product to be paid by the applicable insurance provider and the individual end-consumer or patient.

1.86 " **Primary Efficacy Analysis** " means the evaluation of the Primary Efficacy Endpoint set forth in Section 9.5 of the final protocol for the Pediatric GHD U.S. Phase 3 (14VR4) study and its corresponding statistical analysis plan. A copy of such protocol and statistical analysis plan as exists as of the Effective Date has been delivered to Teijin by email from Versartis as of the Effective Date.

1.87 " **Primary Efficacy Endpoint** " means the [*].

1.88 " **Product Infringement** " has the meaning set forth in Section 10.5.2.1.

1.89 " **Product Liability Claims** " has the meaning set forth in Section 13.4.

1.90 " **Product Trademarks** " means the trademarks for the Licensed Product itself , including the trademarks for the Licensed Compound and the trademark for the delivery device therefor, if any, selected pursuant to Section 6.10 for use in connection with the Commercialization of Licensed Products in the Territory in the Field. Product Trademarks excludes any trademarks, service marks, names or logos that include any corporate name or logo of the Parties or their Affiliates.

1.91 " **Proposing Party** " has the meaning set forth in Section 4.6.1.

1.92 " **Regulatory Approval** " means any approval, product and establishment license, registration, or authorization, including pricing approvals and reimbursement approvals, of any Regulatory Authority required for the manufacture, use, storage, import, transport, or Commercialization of a Licensed Product in accordance with Applicable Laws.

1.93 " **Regulatory Authority** " means any applicable government regulatory authority involved in granting approvals for the manufacture, Commercialization, reimbursement, and/or pricing of the Licensed Product in the Territory. "Regulatory Authority" in the Territory includes Japan's Ministry of Health, Labor and Welfare, t he Japanese Pharmaceuticals and Medical Devices Agency, or any successor agency of the foregoing having regulatory jurisdiction over the manufacture, distribution, and sale of drugs in the Territory.

1.94 " **Regulatory Filings** " means all documentation, correspondence, submissions, and notifications submitted to or received from a Regulatory Authority that are necessary or reasonably useful in order to Commercialize the Licensed Product in the Field in the Territory. For the avoidance of doubt, Regulatory Filings include, with respect to each Licensed Product, all INDs, MAAs, Regulatory Approvals, and amendments and supplements of any of the foregoing, as well as the contents of any minutes from meetings (whether in person or by audio conference or videoconference) with a Regulatory Authority.

1.95 " **Remaining Royalty Term** " has the meaning set forth in Section 7.6.1.2.

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1.96 " **Remaining Transfer Price Term** " has the meaning set forth in Section 7.6.1.1.

1.97 " **Responding Party** " has the meaning set forth in Section 11.3.1.

1.98 " **Restricted Product** " has the meaning set forth in Section 2.7.1.

1.99 " **Royalty Term** " has the meaning set forth in Section 7.5.2.

1.100 " **SEC** " has the meaning set forth in Section 11.4.3.

1.101 " **Shared Study Expenses** " has the meaning set forth in Section 4.5.

1.102 " **Specifications** " means all the attributes, acceptance criteria, and tests, analytical methods and/or limits, and the results thereof, as applicable, for which the raw materials, device, bulk active, intermediates, or process of making the Drug Product, must conform to in order for the Drug Product or Finished Product, as the case may be, to be acceptable for clinical use, or commercial use, as applicable, as may be modified as set forth in this Agreement or the Commercial Supply Agreement.

1.103 " **Standstill Provisions** " has the meaning set forth in Section 16.2.3.

1.104 " **Sublicensee** " means either a Third Party or an Affiliate of Teijin, in each case which is granted a sublicense by Teijin to any of the Licensed Technology pursuant to Section 2.2.

1.105 " **Submitting Party** " has the meaning set forth in Section 11.3.1.

1.106 " **Supply Contacts** " has the meaning set forth in Section 3.7.

1.107 " **Tax** " or " **Taxes** " means (a) any taxes, assessments, fees, including income, profits, gross receipts, net proceeds, sales, alternative or add on minimum, ad valorem, turnover, property, personal property (tangible and intangible), environmental, stamp, leasing, lease, user, duty, franchise, capital stock, transfer, registration, license, withholding, social security (or similar), unemployment, disability, payroll, employment, social contributions, fuel, excess profits, occupational, premium, windfall profit, severance, estimated, or other charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not and (b) any liability for the payment of any amounts of the type described in clause (a) as a result of the operation of law or any express obligation to indemnify any other person.

1.108 " **Tax Residence Certificate** " has the meaning set forth in Section 8.4.5.

1.109 " **Teijin Group** " has the meaning set forth in Section 13.2.

1.110 " **Teijin Housemark** " means any trademark or trade name, and registrations and applications therefor, owned or Controlled by Teijin in the Territory and covering Teijin's (or its Affiliate's) corporate name or company logo.

1.111 " **Teijin Indemnitees** " has the meaning set forth in Section 13.1.

1.112 " **Teijin Invention** " means any invention or discovery that relates to a Licensed Product and that is conceived, made, or generated during the Term in the performance of activities undertaken pursuant to this Agreement by employees, agents, or independent contractors of Teijin or its Affiliates, or any non-Affiliate Sublicensees of Teijin, but only to the extent assigned or licensed to Teijin by such Sublicensee (with the right to sublicense without payment to any such Sublicensee) (including any enhancement or modification of a Licensed Product's use, dosage form, or formulation). Teijin has no obligation to obtain from any non-Affiliate Sublicensee an assignment or license of any inventions made or conceived solely by Sublicensees (other than its Affiliates).

1.113 " **Teijin Know-How** " means any Know-How that is (a) Controlled by Teijin as of the Effective Date or during the Term, and (b) is generated, applied or used in connection with the Development or Commercialization of the Licensed Product or Licensed Compound hereunder.

1.114 " **Teijin Patent** " means any Patent that claims a Teijin Invention.

1.115 " **Teijin Technology** " means the Teijin Know-How and the Teijin Patents.

1.116 " **Term** " has the meaning set forth in Section 14.1.

1.117 " **Territory** " means Japan.

1.118 " **Third Party** " means a Person other than Teijin, Versartis, or their respective Affiliates.

1.119 " **Third Party Partner** " means one or more Third Party licensees or joint venturers, to whom Versartis grants rights for development and commercialization of the Licensed Product in the Versartis Territory.

1.120 " **TPL** " has the meaning set forth in Section 2.2.1.

1.121 " **Trademark License** " has the meaning set forth in Section 2.9.1.

1.122 " **Transfer Price** " has the meaning set forth in Section 7.4.1.

1.123 " **Transfer Price Rate** " has the meaning set forth in Section 7.4.1.

1.124 " **Transfer Price Term** " has the meaning set forth in Section 7.4.6.

1.125 " **Trigger Event** " has the meaning set forth in Section 16.2.4.

1.126 " **True-Up Payment** " has the meaning set forth in Schedule 7.4.4.

1.127 " **True-Up Refund** " has the meaning set forth in Schedule 7.4.4.

1.128 " **TUA** " has the meaning set forth in Schedule 7.4.4.

1.129 " **Upstream Enforcement Rights** " has the meaning set forth in Section 10.5.2.1.

1.130 " **VAT** " has the meaning set forth in Section 8.4.7.

1.131 " **Versartis Group** " has the meaning set forth in Section 13.1.

1.132 " **Versartis Indemnitees** " has the meaning set forth in Section 13.2.

1.133 " **Versartis Invention** " means any invention or discovery that relates to a Licensed Product and that is conceived, made, or generated during the Term in the performance of activities undertaken pursuant to this Agreement by employees, agents, or independent contractors of Versartis or its Affiliates , or any sublicensees of Versartis, but only to the extent assigned or licensed to Versartis by such sublicensee (with the right to sublicense without payment to any such sublicensee) (including any enhancement or modification of (a) a Licensed Product's use, dosage form, or formulation or (b) the process or method for the manufacture of a Licensed Product). Versartis has no obligation to obtain from any sublicensee an assignment or license of any inventions made or conceived solely by such sublicensee.

1.134 " **Versartis Know-How** " means Know-How owned or Controlled by Versartis or its Affiliates as of the Effective Date or during the Term regarding or specifically related to the Licensed Compound or Licensed Products, or the manufacture, development, commercialization, or use thereof.

1.135 " **Versartis Patents** " means all Patents owned or Controlled by Versartis or its Affiliates as of the Effective Date or during the Term which claim the Licensed Compound or Licensed Products, and, but for the license granted herein, would be infringed by the Development, use, sale, offer for sale, import, or export of the Licensed Compound or Licensed Products by Teijin in and for the Territory, including the patents and patent applications listed on Schedule 1.135 attached hereto. For clarity, the Versartis Patents include the Joint Patents.

1.136 " **Versartis Proposed Trademarks** " has the meaning set forth in Section 6.10.

1.137 " **Versartis Territory** " means worldwide outside the Territory.

1.138 " **Versartis Housemark** " means any trademark or trade name, including registrations and applications therefor, owned or Controlled by Versartis covering Versartis' corporate name and/or company logo.

ARTICLE II
LICENSES AND EXCLUSIVITY

2.1 **Exclusive License Grant** .

2.1.1 Subject to the terms and conditions of this Agreement, including Teijin's obligations to co-fund or reimburse Versartis for its Development Costs in order to obtain rights to use any Data resulting from any Joint Development Work or Independent Development Work as set forth in Section 4.6, Versartis US and GmbH, jointly and severally, hereby grant to Teijin an exclusive (even as to Versartis and its Affiliates), royalty-bearing, sublicensable (as set forth in Section 2.2) license under the Licensed Technology to Develop, use, sell, offer for sale, import, export, and otherwise Commercialize the Licensed Products in the Field in the Territory, and to the extent Versartis supplies to Teijin Drug Product and not Finished Product, conduct or have conducted Finished Manufacture in the Territory for use in the Development and Commercialization of the Licensed Products in the Field in the Territory.

2.1.2 For the avoidance of doubt, the license granted to Teijin under this Section 2.1 with respect to the Lead Product Delivery Device or any other delivery device for use in the delivery of any Licensed Compound is restricted solely to the use, sale, import, export, and other Commercialization of such Delivery Device in connection with the delivery of Licensed Compound as contemplated under the definition of "Licensed Product" and not the delivery of any pharmaceutically active ingredient other than the Licensed Compound, or the sale of such Lead Product Delivery Device or any other delivery device on a stand-alone basis.

2.1.3 Teijin acknowledges that certain of the Licensed Technology licensed to Teijin has been licensed to Versartis under the In-License Agreements, and that Teijin's license under such Licensed Technology is therefore a sublicense under and subject in all cases to the terms of the In-License Agreements , and Teijin agrees to comply with all applicable provisions of the In-License Agreements. It is understood and agreed that as long as Teijin complies with this Agreement, Teijin complies with the In-License Agreements .

2.1.4 Under no circumstances shall the rights granted in this Agreement include the right to make, have made, use, sell or import individual rPEG molecules covered by any Versartis Patents on a stand-alone basis.

2.2 **Sublicensing** . Subject to the terms and conditions of this Agreement and the In-License Agreements, Teijin shall have the right to sublicense the rights granted to it under Section 2.1 to:

2.2.1 Any of its Affiliates without Versartis' consent; provided that (i) Teijin provides Versartis with prior notice of the name of the Affiliate and the rights to be sublicensed; (ii) such Affiliate agrees in writing to comply with the terms and conditions of this Agreement that are applicable to such Affiliate's activities under such sublicense; and (iii) Teijin remains fully liable for the performance of such Affiliate in accordance with this Agreement. Any sublicense granted by Teijin to one of its Affiliates shall terminate if such entity is no longer an Affiliate of Teijin and Versartis' approval is not obtained for the continuation of such sublicense

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in accordance with subsection 2.2.2 below. Versartis hereby consents to the grant by Teijin of a sublicense of all the rights granted hereunder to Teijin Pharma Limited (" **TPL** ") , a wholly owned subsidiary of Teijin and organi z ed and existing under the laws of Japan, having its registered office at 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan and Teijin hereby guarantees that TPL will comply with the terms and conditions of this Agreement that are applicable to TPL's activities under such sublicense. Versartis agree s that the foregoing clauses (i) and (ii) shall not apply to such grant of sublicense to TPL.

2.2.2 Third Parties with Versartis' prior written consent, such consent not to be unreasonably withheld, conditioned, or delayed; provided, that (i) such sublicensee agrees in writing to comply with the term and conditions of this Agreement that are applicable to such sublicensee's activities under such sublicense; and (ii) Teijin remains fully liable for the performance of such sublicensee in accordance with this Agreement.

2.3 **Retained Rights** . Versartis hereby expressly retains:

2.3.1 the right under the Licensed Technology to exercise its rights and perform its obligations under this Agreement, whether directly or through one or more licensees (other than Teijin) or subcontractors, including the right to Develop, in accordance with Sections 4.2 and 4.4, respectively, manufacture, import, and export the Licensed Compound and Licensed Products in the Territory; and

2.3.2 all rights to practice, and to grant licenses, under the Licensed Technology outside of the scope of the licenses granted in Section 2.1, including the exclusive right to make and have made the Licensed Compound and Licensed Products anywhere in the world, and the exclusive right to practice the Versartis Patents and Versartis Know-How with respect to compounds and products other than the Licensed Compound and Licensed Products.

2.4 **Patent License Registration** . Versartis agrees to register by itself or to cooperate with Teijin to register the exclusive license of the Versartis Patents granted under Section 2.1 to Teijin in the Territory as a "Senyou Jisshiken" in accordance with Article 77 of the Japanese Patent Law of 1959, or a "Kari-Senyo Jisshiken" in accordance with Article 34-2 thereof, in Japan, at Teijin's request and expense.

2.5 **License to Versartis under Teijin Technology** .

2.5.1 Subject to the terms and conditions of this Agreement, including Versartis' obligations to co-fund or reimburse Teijin for its Development Costs in order to obtain rights to use any Data resulting from any Joint Development Work or Independent Development Work as set forth in Section 4.6, Teijin hereby grants to Versartis an exclusive, royalty-free license (with the right to sublicense to any Third Party Partner) in the Field under the Teijin Technology to Develop, use, sell, offer for sale, have sold, import, and otherwise Commercialize Licensed Products in the Versartis Territory, and to make and have made Licensed Compound, Licensed Product, or Finished Product, anywhere in the world for such Development, use, sale, or import in the Versartis Territory.

2.5.2 Versartis may not grant sublicenses under Section 2.5.1 unless (i) Versartis provides Teijin with prior notice of the name of the Third Party Partner and the rights to be sublicensed; (ii) such Third Party Partner agrees in writing to comply with the terms and conditions of this Agreement that are applicable to such Third Party Partner's activities under such sublicense; and (iii) Versartis remains fully liable for the performance of such Third Party Partner with respect to such Teijin Technology in accordance with this Agreement.

2.6 **No Implied License** . Neither Party grants to the other Party any rights or licenses in or to any intellectual property, whether by implication, estoppel, or otherwise, other than the license rights that are expressly granted under this Agreement.

2.7 **Exclusivity Obligations of Teijin** .

2.7.1 During the Term, Teijin agrees that it shall not clinically develop, sell, distribute, or otherwise commercialize in the Territory, either by itself or through any of its Affiliates or any Third Party, any product, other than a Licensed Product, that contains or comprises [*] (a " **Restricted Product** ").

2.7.2 Notwithstanding the above, in the event that (i) Teijin or its Affiliate obtains rights to commercialize any Restricted Product as a result of a merger with, or acquisition of or by, any Third Party, and (ii) as of such time, such Restricted Product has already been marketed, promoted, commercialized or sold by such Third Party in the Territory, and (iii) Teijin or its Affiliate desires to thereafter continue to market, promote, commercialize or sell such Restricted Product in the Territory, Teijin shall, within [*] days after the closing of such merger or acquisition, notify Versartis in writing whether Teijin or its Affiliate desires to continue to market, promote, Commercialize or sell the Licensed Product in parallel with such Restricted Product in the Territory. In the event Teijin notifies Versartis in writing within such [*] day period that Teijin or its Affiliate desires to thereafter continue to market, promote, Commercialize or sell the Licensed Product in parallel with such Restricted Product, Versartis agrees to promptly discuss in good faith with Teijin the consequences of such parallel marketing, promotion, commercialization, and/or sale. If Versartis and Teijin are unable to mutually agree that such Restricted Product is non-competitive with the Licensed Product within [*] days after initiating such good faith discussion, the issue will be submitted to dispute resolution under ARTICLE XV. If it is determined through dispute resolution that the Restricted Product is competitive with the Licensed Product, Teijin shall be required to elect within [*] days of such determination, upon written notice to Versartis, either to (x) stop selling (or have its Affiliate stop selling) the Restricted Product in the Territory within [*] months of such determination, [*], or to divest such Restricted Product to a Third Party within [*] of such determination; provided however, that [*]; or (y) continue selling the Restricted Product, in which event, Versartis shall have the right to terminate this Agreement within [*] thereafter by giving [*] days' advance written notice to Teijin, in which event the effects of such termination shall be as set forth in Section 14.2.2 (as though such termination were a unilateral termination by Teijin). Termination pursuant to this Section 2.7.2 shall not be regarded as a material breach by Teijin of Section 2.7.1. If, however, Versartis and Teijin mutually agree that such Restricted Product is non-competitive with the Licensed Product in the Territory, such product shall not be designated

as a "Restricted Product" and Teijin shall be under no restrictions under this Agreement with respect thereto, unless and until such time as such product does in fact become competitive with the Licensed Product, in which case the foregoing process shall apply.

2.8 **Exclusivity Obligations of Versartis** .

2.8.1 During the Term, Versartis agrees that it shall not clinically develop, sell, distribute, or otherwise commercialize in the Territory, either by itself or through any of its Affiliates or any Third Party, any Restricted Product, [*].

2.8.2 Notwithstanding the above, in the event that Versartis merges with or is acquired by a Third Party in a transaction pursuant to which such Third Party becomes an Affiliate with control over Versartis (as defined in Section 1.3), and which Third Party, as of the time of the closing of such transaction, is in [*] or later clinical development of, or commercializing any Restricted Product (such Third Party, a " **Controlling Affiliate** ") for use in the Territory, the continued development and commercialization of such Restricted Product by such Controlling Affiliate shall not be a breach of Versartis of its obligations under Section 2.8.1, provided that such Controlling Affiliate shall not use, reference or practice the Licensed Technology or the Teijin Technology for the purpose of developing or commercializing such Restricted Product.

2.9 **Trademark Licenses** .

2.9.1 Versartis US and Versartis GmbH, jointly and severally, grant to Teijin an exclusive (even as to Versartis) license to use the Product Trademarks and Versartis Housemarks solely in connection with Teijin's exercise of the license granted to it pursuant to Section 2.1 above, including the limited right to sublicense to Sublicensees as provided for in such license (the " **Trademark License** "). Teijin will use the Product Trademarks and Versartis Housemarks (a) solely in the manner specified in this Agreement in connection with Licensed Products and not for any other goods or services, and (b) only in the form and manner as reasonably prescribed in writing to Teijin in advance from time to time by Versartis (provided, however, that Teijin shall have a reasonable period of time to modify any of its promotional, marketing, regulatory, or other practices, including in light of Applicable Laws, or cease use of the Product Trademarks and Versartis Housemarks, as may be reasonably necessary to comply with any such form and manner prescriptions or any changes thereto) . Without limiting the foregoing, any use by Teijin of a Product Trademark and Versartis Housemark for a Licensed Product should be accompanied by a trademark notice that states that such Product Trademark or Versartis Housemark is a trademark (or a registered trademark, if applicable) of Versartis, Inc. Any use by Teijin of the Product Trademarks and Versartis Housemarks, and Versartis' maintenance of the Product Trademarks and Versartis Housemarks, shall be in compliance with all Applicable Laws, including those relating to the licensing of trademarks, in the Territory. Teijin and Versartis agree to promptly correct any failure to comply with this Section 2.9.1. For the avoidance of doubt, Teijin shall have no responsibility or obligation for (and Versartis shall be solely responsible for) the filing, maintenance, registration, prosecution, and enforcement of the Product Trademarks and Versartis Housemark, which shall be at Versartis' sole cost and expense.

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2.9.2 Teijin acknowledges Versartis' ownership of all right, title, and interest in and to the Product Trademarks and Versartis Housemark, and agrees that it will do nothing inconsistent with such ownership, that all use of the Product Trademarks and Versartis Housemark by Teijin will inure to the benefit of and be on behalf of Versartis, and that any goodwill associated with the use of any Product Trademark by Teijin will inure to the benefit of Versartis. Teijin agrees that nothing in this Agreement will give Teijin any right, title, or interest in the Product Trademarks and Versartis Housemarks other than the right to use the Product Trademarks and Versartis Housemarks in accordance with this Agreement. Anything in this Agreement to the contrary notwithstanding, if by virtue of Teijin's use of the Product Trademarks and Versartis Housemarks, Teijin acquires any equity, title, or other rights in or to the Product Trademarks and Versartis Housemarks, Teijin hereby agrees all such equity, title, or other rights in or to the Product Trademark and Versartis Housemark belong to Versartis upon creation of the value, and Teijin agrees to and hereby does assign and transfer any such Product Trademark or Versartis Housemark rights to Versartis. Teijin agrees not to use or file any application to register any trademark or trade name that is confusingly similar to any Product Trademark or Versartis Housemark.

ARTICLE III
JOINT STEERING COMMITTEE

3.1 **Formation and Purpose** . Within thirty (30) days of the Effective Date, the Parties will establish a joint steering committee (the " **JSC** ") to coordinate and oversee the Development and Commercialization of Licensed Products under this Agreement. Except as otherwise provided herein, the role of the JSC will be to:

3.1.1 coordinate the management and implementation of the Parties' activities under this Agreement, including Development and Commercialization activities;

3.1.2 review, coordinate, discuss, and approve the overall strategy for seeking Regulatory Approval of the Licensed Products in the Field in the Territory;

3.1.3 review, approve, and oversee each Development Plan, including its associated timeline and budget, and any amendments or revisions thereto;

3.1.4 review, approve, and oversee the Marketing Plan ;

3.1.5 review and coordinate forecasting of Teijin's expected requirements for units of Licensed Product;

3.1.6 address any possible required changes in the Specifications;

3.1.7 create and oversee any subcommittees or working groups as the JSC may deem appropriate;

3.1.8 address any issues expressly delegated to the JSC under this Agreement; and

3.1.9 consult and coordinate with respect to Licensed Product development and commercialization in the Versartis Territory (for clarity, neither the JSC nor Teijin shall have any decision-making authority with respect to such activities and matters in the Versartis Territory) .

3.2 **Membership and Procedures** .

3.2.1 **Membership** . Promptly after the Effective Date, each Party will designate [*] representatives with appropriate expertise to serve as members of the JSC. The Parties may elect to vary the number of representatives that serve on the JSC, provided that in all cases the JSC maintains an equal number of representatives from each Party. Each Party may replace its representatives on the JSC at any time upon written notice to the other Party.

3.2.2 **Chairperson; Minutes** . One member of the JSC will serve as the chairperson, who will be responsible for organizing meetings, preparing and circulating an agenda in advance of each meeting, and preparing minutes of each meeting. Each JSC representative shall review and approve such minutes in writing; provided that if a representative does not object to the accuracy of such minutes within fifteen (15) days after the circulation of such minutes, such minutes shall be deemed approved by such representative. [*].

3.2.3 **Meetings** . Until the MAA for Licensed Product is approved in the Territory, the JSC will hold meetings on a Calendar Quarter basis. Thereafter, the JSC will hold meetings at least [*] Calendar Year (i.e., approximately every [*] months) , or more frequently as the Parties may agree. Meetings of the JSC shall be effective only if at least one (1) representative of each Party is present or participating. The JSC may meet either (i) in person at either Party's facilities or at such locations as the Parties may otherwise agree; or (ii) by audio or video teleconference. With the prior consent of the other Party's representatives (such consent not to be unreasonably withheld or delayed), each Party may invite non-members to participate in the discussions and meetings of the JSC, provided that such participants shall have no vote and shall be subject to the confidentiality provisions set forth in Article XI. Additional meetings of the JSC may also be held with the consent of each Party, or as required under this Agreement, and neither Party will unreasonably withhold or delay its consent to hold such an additional meeting.

3.2.4 **Limitation of Authority** . The JSC will have only such powers as are specifically delegated to it hereunder and will not be a substitute for the rights of the Parties. Without limiting the generality of the foregoing, the JSC will not have any power to amend this Agreement (without limiting its right to approve amendments to the Development Plans) and the JSC is otherwise subject to the express terms and conditions of this Agreement. Any amendment to the terms and conditions of this Agreement may only be implemented pursuant to Section 16.9.

3.3 **Decision-Making** .

3.3.1 The JSC will make good faith efforts to make all decisions on matters before it by consensus. Subject to the terms of this Section 3.3, actions to be taken by the JSC shall be taken only following a unanimous vote with each Party's representatives collectively having one (1) vote (for clarity, with each Party having only one (1) vote). If the JSC fails to reach unanimous consent on a particular matter within [*] days of a Party having requested a formal vote on such matter (or, if such matter is urgent, within [*] days of such request) , then either Party may submit such matter for resolution to the Executive Officers pursuant to Section 15.2, except as provided in Section 3.3.2.

3.3.2 If the JSC is unable to reach a decision by unanimous vote pursuant to Section 3.3.1, then the Party listed below shall have the final say on the following matters:

3.3.2.1 Versartis shall have final decision making authority with respect to the Development of Licensed Products in the Territory until the final clinical study report that is required for submission of the MAA for the Initial Indication in the Territory is completed.

3.3.2.2 Teijin will have final decision making authority with respect to the Development of Licensed Products in the Territory following the period of Versartis' final say under Section 3.3.2.1.

3.3.2.3 Teijin will have final decision making authority with respect to Commercialization of Licensed Products in the Territory.

3.3.2.4 Notwithstanding the foregoing or any other term of this Agreement, in the event that Versartis reasonably believes that there is a reasonable likelihood that Teijin's intended activity or conduct with respect to the Development or Commercialization of any Licensed Product could have a material adverse effect on Versartis' Development or Commercialization activities with respect to Licensed Products outside the Territory, such issue will be submitted to the Executive Officers for attempted resolution pursuant to Section 15.2. If the Executive Officers are unable to resolve any such dispute, Versartis shall have final decision making authority with respect to such dispute.

3.3.3 For the avoidance of doubt, any dispute regarding the interpretation of this Agreement, the performance or alleged nonperformance of a Party's obligations under this Agreement, or any alleged breach of this Agreement will be resolved in accordance with the terms of ARTICLE XV and shall not be subject to the JSC's decision-making authority.

3.4 **Expenses** . Each Party will be responsible for all of its own travel and other costs and expenses for its respective members, designees, and non-member invitees to attend meetings of, and otherwise participate on, the JSC and any subcommittees or working groups .

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3.5 **Discontinuation of the JSC** . The activities to be performed by the JSC shall solely relate to governance under this Agreement, and are not intended to be or involve the delivery of services. The JSC shall continue to exist until the first to occur of: (a) the Parties mutually agree to disband the JSC; or (b) Versartis provides written notice to Teijin of its intention to disband and no longer participate in the JSC. Once the Parties mutually agree or Versartis has provided written notice to disband the JSC, the JSC shall have no further obligations under this Agreement and, thereafter, each Party shall designate a contact person for the exchange of information under this Agreement or such exchange of information shall be made through the Alliance Managers, and decisions of the JSC shall be decisions as between the Parties, subject to the other terms and conditions of this Agreement. In the event the JSC is disbanded as provided above, any decisions that are designated under this Agreement as being subject to the review or approval of the JSC shall be subject to the review and approval of the Parties directly.

3.6 **Alliance Managers** . Promptly after the Effective Date, each Party shall appoint an individual who shall be an employee of such Party having appropriate qualification and experience to act as the alliance manager for such Party (the " **Alliance Manager** "). Each Alliance Manager shall be responsible for coordinating and managing processes and interfacing between the Parties on a day-to-day basis throughout the Term. The Alliance Manager will ensure communication to the JSC of all relevant matters raised at any joint subcommittees or working groups. Each Alliance Manager shall be permitted to attend meetings of the JSC as non-voting participants. The Alliance Managers shall be the primary contact for the Parties regarding the activities contemplated by this Agreement and shall facilitate all such activities hereunder. Each Party may replace its Alliance Manager with an alternative representative at any time with prior written notice to the other Party. Any Alliance Manager may designate a substitute to temporarily perform the functions of that Alliance Manager. Each Alliance Manager shall be charged with creating and maintaining a collaborative work environment within the JSC and its subcommittees. Each Party will be responsible for all of its own costs with respect to its Alliance Manager.

3.7 **Supply Contacts** . Each Party shall designate one (1) qualified and experienced supply chain professional to serve as that Party's primary supply contact regarding the supply of Licensed Products within this Agreement (" **Supply Contacts** "). Each Party may replace its Supply Contact with an alternative representative at any time with prior written notice to the other Party. Supply Contacts shall be responsible for facilitating information exchange and discussion between the Parties regarding the supply of Licensed Products under this Agreement. [*] Each Party will be responsible for all of its own costs with respect to its Supply Contact.

ARTICLE IV
DEVELOPMENT

4.1 **Overview** . Subject to, and in accordance with, the terms and conditions of this Agreement, the Parties will perform all Development activities with respect to the Licensed Products, and share the Data resulting from such activities, to facilitate the Development and Commercialization of Licensed Products in the Territory.

4.2 **Conduct of Existing Studies** . Versartis shall be responsible for completing, at its expense, the following studies with respect to the Lead Product, in each case as identified more specifically in Schedule 4.2:

4.2.1 the Pediatric GHD Phase 2/3 trial in Japan and its corresponding extension study (regardless of whether any of the protocols for the Pediatric GHD Phase 2/3 trial in Japan and its corresponding extension study is amended or not) (collectively, the " **Japanese Ongoing Studies** "), subject to Section 4.3. The Parties acknowledge that such extension study may extend beyond the point in time at which Teijin is intended to assume responsibility for regulatory activities in accordance with Section 5.1.2. If within [*] months prior to such point in time the Parties reasonably anticipate that such extension study will extend beyond such point in time, the Parties shall discuss Versartis transferring to Teijin the role of sponsor for such extension study. In the event that Teijin assumes such role, Teijin shall be solely responsible for completing such study; provided, however, that Versartis shall reimburse Teijin for the Development Costs associated with such completion in accordance with, and up to the amount of Versartis' then-current Development budget. Any Development Costs that exceed Versartis' then-current Development budget following such transfer shall be the sole responsibility of Teijin;

4.2.2 the Pediatric GHD trial in the US/Europe (as well as its corresponding extension study);

4.2.3 the Adult GHD Phase 2 trial in the US/Europe (as well as its corresponding extension study); and

4.2.4 any non-clinical studies ongoing as of the Effective Date.

4.3 **Exceptions to Funding of Japanese Ongoing Studies** . Notwithstanding Section 4.2.1, in the event that:

4.3.1 the Phase 3 portion of the ongoing Pediatric GHD Phase 2/3 trial in Japan (referred to as J14VR5), and its extension study (referred to as J15VR6) are required by Regulatory Authorities in the Territory to be conducted as (a) separate study(ies), Versartis shall be responsible for conducting such separate Phase 3 study(ies) and its or their extension study(ies), regardless of whether such separate Phase 3 study(ies) is(are) associated with (an) extension study(ies), at its expense, but only up to the amount provided in the Initial Development Budget for both J14VR5 and J15VR6 (such total amount the " **Phase 3 Studies Cap** "). Any Development Costs required to be expended for such separate studies in excess of the Phase 3 Studies Cap will be treated as Shared Study Expenses (as defined below);

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4.3.2 the Phase 3 portion of the Phase 2/3 J14VR5 study is scaled down, and its extension study J15VR6 is cancelled, and a new Phase 3 portion (and its related extension study) is required by Regulatory Authorities in the Territory to be conducted as (a) separate study (ies) , Versartis shall be responsible for conducting the scaled down J14VR5 study, and such new Phase 3 study and its extension study, regardless of whether such extension study is included in such separate Phase 3 study, at its expense, but only up to the Phase 3 Studies Cap. Any Development Costs required to be expended for such new studies in excess of the Phase 3 Studies Cap will be treated as Shared Study Expenses; and

4.3.3 Regulatory Authorities in the Territory, at the end of the Phase 2 meeting in Japan, require that the Phase 3 portion of the Phase 2/3 J14VR5 (and related extension study J15VR6) not be conducted, but that a wholly new Phase 2/3 trial and its extension study in Japan be conducted, Versartis shall be responsible for conducting such new Phase 2/3 trial and its extension study(ies), but (i) the Development Costs of the Phase 2 portion of such new study shall be Shared Study Expenses and (ii) the Development Costs of the Phase 3 portion of such new study and its extension study shall be at Versartis' expense, but only up to the Phase 3 Studies Cap. Any Development Costs required to be expended for such new studies in excess of the Phase 3 Studies Cap will be treated as Shared Study Expenses.

4.4 **Required Additional Studies for the Lead Product in the Initial Indication** . If any additional studies other than the Japanese Ongoing Studies are required by Regulatory Authorities in the Territory to be conducted prior to submission of the initial MAA for the Lead Product in the Initial Indication, Versartis shall conduct such additional studies, whether such studies are clinical or non-clinical; provided that the Development Costs of such additional studies (whether clinical or non-clinical) shall be treated as Shared Study Expenses; provided, however, that if for any reason the Initial Development Budget has not been exhausted at the completion of the Japanese Ongoing Studies, Versartis shall be solely responsible for the cost of such additional studies until the Initial Development Budget is exhausted, and any Development Costs incurred thereafter shall be treated as Shared Study Expenses. In the event that any additional studies are required by Regulatory Authorities in the Territory following submission of the initial MAA for the Lead Product in the Initial Indication (including for example, any additional activities necessary for the Licensed Product to meet the requirements that are necessary or helpful for obtaining Pricing Approval in the Territory), Teijin shall conduct all such additional studies at its expense.

4.5 **Shared Study Expenses** . As used in this ARTICLE IV, any Development Costs referred to as " **Shared Study Expenses** " means that such Development Costs, up to an overall aggregate total of [*] dollars ($[*]) across any studies conducted under Section 4.3 or Section 4.4 are shared equally by the Parties, and any Development Costs incurred in excess of such [*] dollars ($[*]) shall be solely the responsibility of Teijin. Each Party shall reimburse the other Party promptly, but in any event within [*] days of receipt of invoice for, the reimbursing Party's share of any Shared Study Expenses that are incurred by the other Party. For clarity, Versartis would be responsible for a maximum of up to [*] dollars ($[*]) of any Shared Study Expenses, whether incurred under Section 4.3 or Section 4.4 or both.

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4.6 **Elective Additional Development in New Indications or Outside the Lead Product** .

4.6.1 **Proposals** . If either Party (the " **Proposing Party** ") is interested in conducting additional Development activities with respect to the Lead Product or the Licensed Compound for use or potential use or benefit in the Territory (in the case of Teijin) or the Versartis Territory (in the case of Versartis or its Third Party Partners) beyond what is provided for in Sections 4.2 and 4.3 (such as additional clinical studies in support of label expansion into new indications, additional studies in support of new formulations of the Licensed Compound, and the like, in all cases (the " **New Studies** "), then the Proposing Party shall provide the other Party (the " **Non-Proposing Party** ") with a written detailed plan and budget for such New Studies (the " **Development Proposal** "). Within [*] calendar days of receipt of any such Development Proposal, the JSC or delegated subcommittee shall meet to review the Development Proposal and permit the Non-Proposing Party the opportunity to ask questions and request additional information from the Proposing Party related to the New Studies and associated plan and budget, including whether Data generated under such New Studies is reasonably likely to have a material and adverse effect on the Development or Commercialization of the Licensed Compound or Licensed Product in the Non-Proposing Party's territory. In the event that the Parties agree to conduct the work set forth in the Development Proposal jointly (the " **Joint Development Work** "), the Development Costs of such Joint Development Work (the " **Joint Work Costs** ") shall be shared by the Parties as set forth in Section 4.6.2.1. If the Non-Proposing Party decides not to conduct the work set forth in the Development Proposal jointly with the Proposing Party, subject to Section 3.3.2.4, the Proposing Party may conduct such work in its respective territory solely (the " **Independent Development Work** ") and the Development Costs of such Independent Development Work (the " **Independent Work Costs** ") shall be subject to Sections 4.6.2.2 and 7.2.2.

4.6.2 **Funding** .

4.6.2.1 **Joint Work Costs** . With respect to all Joint Development Work, the Non-Proposing Party shall be responsible for reimbursing the Proposing Party for [*] percent ([*]%) of the aggregate Joint Work Costs in accordance with Section 7.2.1.

4.6.2.2 **Independent Work Costs** . With respect to all Independent Development Work, the Proposing Party shall be solely responsible for all Independent Work Costs associated with such Independent Development Work; provided, however, that if the Non-Proposing Party wishes to access and use any Data generated by such Independent Development Work, the Non-Proposing Party shall be entitled to do so, but only upon reimbursing the Proposing Party for [*] percent ([*]%) of the Independent Work Costs of such Independent Development Work in accordance with Section 7.2.2. Upon the Non-Proposing Party reimbursing the Proposing Party for [*] percent ([*] %) of such Independent Work Costs, the Non-Proposing Party shall be entitled to access and use such Data as set forth in Section 4.14.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

4.7 **Initial Development Plan** . An initial development plan and budget for the Japanese Ongoing Studies is attached hereto as Schedule 4.7 (the " **Initial Development Plan** " and " **Initial Development Budget** " as applicable) and incorporated herein by reference. From time to time, either Party may submit to the JSC for discussion any proposed modifications to the Initial Development Plan and the Initial Development Budget, and the JSC shall discuss such proposed modifications at its next meeting, and any such modification may be approved by the JSC as provided in Section 3.1.3 , it being understood that Versartis shall have the final say with respect thereto in accordance with Section 3.3.2.1.

4.8 **Other Development Plans** . Any required additional studies conducted under Section 4.4, or any Independent Development Work for which Teijin is the Proposing Party, or any Joint Development Work shall be conducted pursuant to a detailed development plan (each, a " **Development Plan** ") which shall contain the following information:

4.8.1 scope and timelines for performance of all studies, and protocol summaries;

4.8.2 estimated timing of meetings with Regulatory Authorities in the Territory for such Licensed Product; and

4.8.3 non-binding forecasts of needs for preclinical or clinical supply of Drug Product; and

4.8.4 a budget for all such Development activities.

4.9 **Review of Protocols and Clinical Trials in the Territory** . Teijin shall provide Versartis directly, or through the JSC, with a reasonable opportunity to review and comment upon a draft protocol for each of the non-clinical studies and clinical trials occurring within the Territory and conducted by or on behalf of Teijin and the summary of any material modification of such draft protocol. Notwithstanding the foregoing, subject to Section 3.3.2.4, Teijin shall have the right to determine and finalize, in its sole discretion, the protocols for such non-clinical studies and clinical trials to be conducted by Teijin and required for the Regulatory Approval of the Licensed Product in the Territory.

4.10 **Development Outside the Territory** . As between the Parties, and except as provided in Section 4.6, Versartis shall be solely responsible and shall have sole discretion and control (at Versartis' sole cost and expense) for all non-clinical, clinical, and other development and commercialization activities (including regulatory activities) with respect to Licensed Products in the Versartis Territory and, as between the Parties, the results of such activities shall be the sole property of Versartis. In the event that such development activities constitute Joint Development Work, Versartis shall reasonably consider, and where reasonably feasible use Commercially Reasonable Efforts to accommodate, any request by Teijin to arrange clinical trials outside the Territory as global studies (rather than local studies directed to a particular jurisdiction) which can be directly used to support Regulatory Approval in the Territory.

4.11 **Transfer of Data Relating to the Lead Product in the Initial Indication** .

4.11.1 **Data Generated as of the Effective Date** . Within [*] days after the Effective Date, Versartis shall make electronically available, and in the form of printed copy in English and signed by Versartis if requested by the Regulatory Authorities in the Territory, copies of all Regulatory Filings owned or submitted by Versartis in the Territory and in existence as of the Effective Date. Teijin shall have the right to use and reference any and all such Regulatory Filings and Data to obtain and maintain Regulatory Approval for the Licensed Products and otherwise Commercialize the Licensed Products in the Territory in accordance with the terms of this Agreement.

4.11.2 **Data Resulting from Existing Studies** . On a [*] basis during the Term, and subject to Applicable Laws, Versartis shall provide to Teijin, to the extent not already provided and at no additional cost to Teijin, copies of all Data generated by or on behalf of Versartis with respect to and in the course of conducting the Japanese Ongoing Studies and all other existing studies set forth in Section 4.2 (including all study reports analyzing such Data). Teijin shall have the right to use and reference any and all such Data to obtain and maintain Regulatory Approval for the Licensed Products and otherwise Commercialize the Licensed Products in the Territory in accordance with the terms of this Agreement.

4.12 **Other Future Data Generated by Either Party after the Effective Date** . On a [*] basis during the Term, and subject to Applicable Laws, each Party shall provide to the other Party, to the extent not already provided and at no additional cost to such other Party, electronic access to all Data generated by or on behalf of the Party with respect to and in the course of conducting studies with respect to the Lead Product in the Initial Indication (including all study reports analyzing such Data), which are necessary or reasonably useful for such other Party to obtain or maintain Regulatory Approval of the Licensed Product in its respective territory. Such other Party shall have the right to use and reference any and all such Data to obtain and maintain Regulatory Approval for the Licensed Products and otherwise Commercialize the Licensed Products in its respective territory in accordance with the terms of this Agreement.

4.13 **Joint Development Work Data** . On a [*] basis during the Term, and subject to the terms set forth in this Section 4.13 and Applicable Laws, each Party shall provide to the other Party, to the extent not already provided and at no additional cost to such other Party, copies of all Data generated by or on behalf of the Party with respect to and in the course of conducting Joint Development Work. The Party receiving the Data from the other Party's performance of the Joint Development Work shall have the right to use and reference any and all such Data to obtain and maintain Regulatory Approval for the Licensed Products and otherwise Commercialize the Licensed Products in its respective territory in accordance with the terms of this Agreement. For the avoidance of doubt, Versartis may provide such Joint Development Work Data it receives from Teijin (and extend the foregoing rights) to its Third Party Partners, and Teijin may provide such Joint Development Work Data it receives from Versartis (and extend the foregoing rights) to its Sublicensees for use within the scope of the sublicense to such Sublicensee.

4.14 **Independent Development Work Data** . Each Party shall provide access to the other Party and its sublicensee(s) , without any additional consideration required, to any and all safety and pharmacovigilance Data resulting from its and, for Versartis, its Affiliates' and Third Party Partners ' and for Teijin, its Affiliate's and other Sublicensee's Independent Development Work, and the Party receiving such Data shall have the right (i) to use such Data only to the extent reasonably necessary for the receiving Party to comply with its regulatory reporting and compliance obligations, including safety reporting obligations, in its territory, and (ii) of reference to all Regulatory Filing in the Territory or in the Versartis Territory, as the case may be , but shall not have the right to use such Data to apply for a Regulatory Approval, or any Commercialization activities. However, in the event the Non-Proposing Party reimburses the Proposing Party for [*] percent ([*] %) of the costs of its Independent Development Work as provided in Section 4.6.2.2, upon the Non-Proposing Party reimbursing the Proposing Party as provided in Section 4.6.2.2, the Non-Proposing Party shall have the right to use and reference any and all Data (including efficacy Data) resulting from the other Party's Independent Development Work, in order to obtain and maintain Regulatory Approval for the Licensed Products in such Non-Proposing Party's territory and otherwise Commercialize the Licensed Products in its respective territory in accordance with the terms of this Agreement. In addition, each Party shall provide the other Party , at no cost, all and any Data generated from its Independent Development Work to be submitted to the Regulatory Authorities in its t erritory solely for reference purposes, which shall mean, in the case of the Territory, submission of such Data as "Sanko u Siryou," but not as "Hyouka Siryou." As used in this Section 4.14, the term "Sanko u Siryou" means any data or other information used as a supplement to, and specified as such in , a Regulatory Filing in the Territory , and the term "Hyouka Siryou" means any data or other information that is intended to serve as evidence of the efficacy and the safety of the drug, and specified as such , in a Regulatory Filing in the Territory. For the avoidance of doubt, Versartis may provide , at no cost, such Independent Development Work Data it receives from Teijin (and sublicense the foregoing rights in this Section 4.14) to its Third Party Partners, and Teijin may provide , at no cost, such Independent Development Work Data it receives from Versartis (and sublicense the foregoing rights in this Section 4.14) to its Affiliates and non-Affiliate Sublicensees for use within the scope of the sublicense to such Sublicensee.

4.15 **Ownership of Data** . As between the Parties, the Party generating any Data, whether Independent Development Work Data, Joint Development Work Data, or otherwise, shall own such Data, subject to the licenses and other rights granted by such Party to the other Party under this Agreement with respect to the use of or access to such Data, including Section 4.14 and Section 4.6.

4.16 **Performance and Diligence** .

4.16.1 Each Party shall use Commercially Reasonable Efforts to perform all Development activities for which it is responsible under this Agreement. Without limiting the foregoing, Versartis shall use Commercially Reasonable Efforts to complete the existing studies set forth in Section 4.2 and any additional studies necessary as set forth in Section 4.3, and Teijin shall use Commercially Reasonable Efforts to conduct its allocated tasks under any Joint Development Work and all Independent Development Work for which Teijin is the Proposing

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Party. In addition, Teijin shall use Commercially Reasonable Efforts to prepare and file the MAA (and any amendment thereto) and seek and maintain Regulatory Approval for the Licensed Product in the Territory.

4.16.2 Each Party shall perform its Development obligations in accordance with the regulations promulgated by the relevant Regulatory Authorities for the development, manufacture, testing and commercialization of pharmaceutical products in the Territory, in good scientific manner and in compliance in all material respects with all applicable laws, including without limitation applicable national and international (*e.g.* , ICH, GCP, GLP, and GMP) guidelines.

4.16.3 Teijin may not conduct any material Development activities with respect to any Licensed Product that are not set forth in a Development Plan pursuant to Section 4.8, or that are inconsistent with this Agreement, without Versartis' prior written consent.

4.17 **Records, Reports and Information** . Each Party shall maintain complete, current and accurate records of all work conducted by it under the Initial Development Plan or other Development Plan prepared pursuant to Section 4.8, and all Data resulting from such work. Such records shall fully and properly reflect all work done and results achieved in the performance of such development plan in good scientific manner appropriate for regulatory purposes. Each Party shall document all preclinical studies and clinical trials in formal written study reports according to applicable national and international (*e.g.* , ICH, GCP, GLP, and GMP) guidelines. Each Party shall have the right to review such records maintained by the other Party at reasonable times, upon written request, which shall not exceed once a year. Each Party shall present reports in English at the JSC meetings on its Development and regulatory activities with respect to the Licensed Product, including without limitation any significant formal or informal meetings between such Party and the Regulatory Authority in its Territory, at a level of detail to be agreed by the JSC; provided, however, that any such presentation shall include at least a summary of the resulting Data for, all preclinical studies and all clinical trials conducted by such Party with the Licensed Product.

ARTICLE V
REGULATORY MATTERS

5.1 **Regulatory Activities** .

5.1.1 **Versartis Obligations as Sponsor** . Subject to Section 4.2.1, for so long as Versartis is conducting Development activities pursuant to Section 4.2.1 or Section 4.4, and until the MAA for the Lead Product is filed by Teijin in accordance with Section 5.2.1.1, Versartis, at its sole cost and expense, will continue to hold the CTN in the Territory and comply with its obligations as the sponsor of such Development activities. Prior to the filing of the MAA for the Lead Product in the Territory, Versartis shall assign over to Teijin the CTN, at such time as is agreed upon by the JSC, taking into consideration the conduct of any extension studies by Versartis.

5.1.2 **Teijin Activities** . Upon Teijin assuming responsibility for the preparation and filing of the MAA for the Lead Product in the Territory in accordance with Section 5.2.1.1 and thereafter, and subject to, and in accordance with, the terms and conditions of this Agreement and the requirements of all Applicable Laws, Teijin, at its sole cost and expense, will use Commercially Reasonable Efforts to take all actions necessary and file all Regulatory Filings with respect to the Licensed Products required to obtain Regulatory Approval in the Territory. Teijin will use Commercially Reasonable Efforts to preserve the existence and breadth of any Regulatory Approvals for Licensed Products obtained in the Territory in the course of reexamination, reevaluation, and other post marketing surveillance review procedures as may be required by the Regulatory Authorities in the Territory. Subject to its obligations under Section 4.16.1 and Section 5.2.1.1, Teijin will have final decision-making authority over (and the right to control) all activities with respect to Regulatory Filings in the Territory. Without limiting the applicability of the foregoing and the remainder of this ARTICLE V, Teijin, through the JSC, will keep Versartis reasonably informed of all material events and developments occurring in the course of obtaining Regulatory Approval in the Territory, including meetings with Regulatory Authorities in the Territory relating to the Licensed Products.

5.1.3 **Versartis Assistance** . Upon Teijin assuming responsibility for the preparation and filing of the MAA for the Lead Product in the Territory in accordance with Section 5.2.1.1 and thereafter, upon Teijin's request, Versartis will reasonably assist Teijin in connection with (i) any meetings with, or requests from, Regulatory Authorities in the Territory related to Licensed Products, and (ii) the preparation and submission of all Regulatory Filings in the Territory.

5.2 **Teijin Regulatory Data and Regulatory Approvals** .

5.2.1 **Regulatory Filings** .

5.2.1.1 **Review** . The JSC shall create a subcommittee or working group to coordinate communication and the exchange of information between the Parties with respect to Regulatory Filings to be prepared and submitted by or for Teijin in the Territory; and without limiting the foregoing, Teijin will provide Versartis with summaries, overviews, or excerpts (in English) of all Regulatory Filings prior to filing thereof. Teijin shall not submit the MAA until Versartis has had the opportunity to review and approve the content of such MAA filing.

5.2.1.2 **Accelerated Reporting** . In the event that Applicable Laws require Teijin to report information related to any Regulatory Activity on an accelerated basis such that Teijin is unable to comply with Section 5.2.1, Teijin will nonetheless provide to Versartis a prompt and detailed description of the event that triggered the accelerated reporting obligation as soon as reasonably practicable, but in no event later than [*] Business Days after Teijin obtains actual knowledge of such triggering event.

5.2.1.3 **Copies** . Subject to Applicable Laws, Teijin will provide to Versartis: (i) electronic copies of each Regulatory Filing as submitted to Regulatory Authorities promptly following such submission, and summaries of such filing, in English, (ii) summaries (in English) of written communications to Teijin from any Regulatory Authority in the Territory with respect to Regulatory Filings, promptly following receipt thereof (taking into account the time required to prepare such summaries after such submission of such Regulatory Filings), and (iii) a brief statement (in English) of any material changes in the final Regulatory Filings from the summaries previously provided by Teijin to Versartis. For the avoidance of doubt, solely to the extent provided in Sections 4.12, 4.13, and 4.14, Versartis may provide copies of all Regulatory Filings it receives from Teijin (and extend its rights) to its Third Party Partners.

5.2.2 **Regulatory Meetings** . Teijin will provide Versartis (through the JSC) with advance notice of any formal, scheduled meetings with any Regulatory Authority in the Territory (including any meetings related to the final positioning of labeling and safety claims within the original and subsequent regulatory submissions), and Teijin will provide a brief description of the topics to be presented or discussed at each such meeting, in English. Subject to Applicable Laws, Versartis shall have the right, but not the obligation, to attend (as an observer) any such meeting.

5.2.3 **Holder of Regulatory Filings** . Upon Teijin assuming responsibility for the preparation and filing of the MAA for the Lead Product in the Territory, Versartis will transfer to Teijin the CTN and any other Regulatory Filings in the Territory then held by Versartis with respect to the Lead Product, and thereafter Teijin will hold title to all Regulatory Filings (including MAAs) and Regulatory Approvals with respect to the Lead Product and all other Licensed Products; provided, however, that, Teijin shall file for and obtain Regulatory Filings and Regulatory Approvals in such manner as may be required under Applicable Laws in the Territory to allow for the expeditious transfer thereof to Versartis or Versartis' designee pursuant to Section 14.5.1 upon certain terminations of this Agreement.

5.3 **Regulatory Costs** . Teijin shall be responsible for all costs and expenses of preparing, maintaining, formatting, and filing Regulatory Filings for Licensed Products in the Territory and for maintaining Regulatory Approval for Licensed Products in the Territory.

5.4 **Teijin Regulatory Filings** . Teijin shall not file any Regulatory Filings for Licensed Products outside of the Territory.

5.5 **Safety; Adverse Event Reporting** .

5.5.1 **Pharmacovigilance and Drug Safety Data** . Versartis shall establish and maintain, at Versartis' sole cost and expense, a global drug safety management system for the Licensed Products. Teijin shall have the right to access from such global drug safety database all drug safety Data necessary for Teijin to comply with all Applicable Laws in the Territory. Teijin will be responsible, at its sole cost and expense, for: (a) collecting all pharmacovigilance and other drug safety Data for the Licensed Products in the Territory as required by Applicable Laws ; and (b) reporting any such Data, including Adverse Events in the Territory, to the applicable Regulatory Authorities in the Territory, as appropriate to be in compliance with all

Applicable Laws, including report ing drug safety D ata to Versartis in CIOMS format (in English) for entry into the global safety database. Teijin expressly acknowledges that Versartis can and will provide information received by Versartis pursuant to this Section 5.5 to appropriate Regulatory Authorities within the Versartis Territory, and any Affiliates, Third Party Partners, and development partners engaged in D evelopment and C ommercialization activities of the Licensed Products in the Versartis Territory. Upon reasonable prior notice and during normal business hours (and no more than once per year), Versartis has the right to review Teijin's internal processes and procedures for the collection and processing of safety Data relating to the Licensed Products. Versartis will set up, hold, and maintain (at Versartis' sole cost and expense) the global safety database for Licensed Products. As between the Parties, Versartis shall enter into such database all pharmacovigilance and other drug safety Data for the Licensed Products (including Adverse Events) in the Versartis Territory as required by Applicable Laws (including any such Data collected by licensees and development partners). Versartis shall provide Teijin with ready access to such database, including to the Adverse Event information contained therein , and Versartis expressly acknowledges that Teijin can and will provide information received by Teijin from such database to any of its Affiliates and Sublicensees engaged in Commercialization activities in the Territory, and to Regulatory Authorities in the Territory.

5.5.2 **Safety Agreement** . Prior to the first MAA approval in the Territory for a Licensed Product , the JSC will develop a mutually acceptable safety agreement (to be agreed upon and executed by the Parties) setting forth the Parties' respective obligations in detail regarding pharmacovigilance and the exchange of drug safety Data.

5.6 **Recalls and Voluntary Withdrawals** .

5.6.1 Teijin and Versartis will, through the JSC, confer upon and coordinate their respective internal standard operating procedures (and any changes thereto) with respect to product recalls and the treatment of and response to product complaints and inquiries regarding the safety, quality, or efficacy of the Licensed Products in the Territory.

5.6.2 If either Party becomes aware of information about a Licensed Product indicating that it may not conform to the Specifications or that there are potential adulterations, misbranding, and/or other material adverse issues regarding safety of a Licensed Product (or otherwise that a recall or withdrawal of a Licensed Product in the Territory is potentially at issue), it shall as soon as practical (but in any event within such period of time as the Parties may mutually establish to ensure their respective compliance with Applicable Laws) so notify the other Party. With respect to the Territory, the Parties shall promptly meet in person or via teleconference to discuss such circumstances and to consider appropriate courses of action, including Licensed Product recalls. Unless otherwise agreed in writing by the Parties, Teijin will make any decisions regarding, and implement and be responsible for, at its sole expense (except as provided below), all recalls of Licensed Products in the Territory, and will maintain complete and accurate records of all Licensed Product recalls for such periods as may be required by Applicable Laws. Notwithstanding the foregoing, Versartis shall reimburse Teijin for a percentage of the reasonable and necessary out-of-pocket expenses incurred by Teijin for any recalls of Licensed Products (or Finished Product or Drug Product) manufactured or supplied by

or for Versartis to Teijin hereunder solely to the extent such recall is attributable to (x) the failure of such Licensed Product, Finished Product, or Drug Product, as applicable, to conform to the Specifications or to be manufactured in compliance with Applicable Laws, or (y) any demonstrated design defect or inherent defect in the Licensed Product, Finished Product, or Drug Product, which percentage shall be as follows:

5.6.3 [*] percent ([*]%) where such recall is demonstrated to be attributable solely to the negligence of one or more members of the Versartis Group, and not to the negligence of any member of the Teijin Group;

5.6.4 [*] percent ([*]%) where such recall is demonstrated to be attributable solely to the negligence of one or more members of the Teijin Group, and not to the negligence of any member of the Versartis Group;

5.6.5 [*] percent ([*]%), where such recall is demonstrated to be attributable both to (x) the negligence of one or more members of the Versartis Group, including any Latent Defect, and also (y) the negligence of any member of the Teijin Group (such as for example, failure to properly test and release Finished Product);

5.6.6 [*] percent ([*]%), where such recall is (x) not demonstrated to be attributable to the negligence of either (i) any member of the Versartis Group or (ii) any member of the Teijin Group, but (y) is demonstrated instead to be attributable to a design defect or inherent defect in the Finished Product, Drug Product or Licensed Product; or

5.6.7 [*] percent ([*]%) where such recall is (x) not demonstrated to be attributable to the negligence of either (i) any member of the Versartis Group or (ii) any member of the Teijin Group, and (y) not demonstrated to be based upon any design defect or inherent defect in the Finished Product .

5.7 **Inspection Rights** . Not more than once per year, if Versartis has any reasonable concerns regarding Teijin's storage or handling of any Licensed Products, for purposes of quality control Versartis will have the right, at its expense and on [*] days' prior notice to Teijin, to inspect the facilities where Teijin or its Affiliates store or handle, or have stored or handled, any Licensed Products and to audit Teijin's or its Affiliates' procedures with respect to the storage and handling of Licensed Products.

5.8 **Governmental Inspections and Inquiries** . Teijin will advise Versartis promptly, but in no event later than [*] Business Days after Teijin's receipt of notice thereof, of (i) any planned Regulatory Authority visit to the portion of the facilities of Teijin or its Affiliates where any Licensed Product is stored or handled, or (ii) any material written inquiries by a Regulatory Authority concerning such facilities, Teijin's or its Affiliates' procedures with respect to the storage or handling of Licensed Products, or the Commercialization of Licensed Products in the Territory. If a Regulatory Authority makes an unannounced or unplanned visit, Teijin will inform Versartis of the visit as soon as reasonably practicable, but in no event later than [*] Business Days after Teijin obtains actual knowledge of the visit. Teijin will inform Versartis , as soon as practicable, regarding the purpose and result of such visit or inquiry, and

will provide to Versartis copies of any minutes of the inspection generated by Teijin (in English) promptly following such inspection, and any report or correspondence (in English) provided by Teijin or its Affiliate, as the case may be, to such Regulatory Authority or issued by or provided by such Regulatory Authority to Teijin or its Affiliate, as the case may be, in connection with such visit or inquiry. If English translations of these materials are not available, then Teijin will advise Versartis of the material aspects of such minutes and correspondence at the next regularly-scheduled JSC meeting.

5.9 **Audit of Teijin Finished Manufacture Facilities** . In the event that Teijin receives notification from a Regulatory Authority of the intention of such Regulatory Authority to audit or inspect facilities being used to conduct Finished Manufacture of the Finished Product, then (as applicable): (i) Teijin shall notify Versartis no later than [*] business days after receipt of such notification if such audit or inspection shall occur at Third Party facilities; or (ii) Teijin shall notify Versartis as soon as practicably possible after receipt of such notification if such audit or inspection is to occur at Teijin controlled facilities. Notwithstanding the foregoing, Teijin shall not be required to notify Versartis of audits or inspections of Teijin facilities that are of a routine nature that do not relate to the Finished Product, except where such audits result in communications or actions of such Regulatory Authority which have an impact upon the Licensed Product or the Drug Product. Teijin shall also provide Versartis with copies of any written communications received from Regulatory Authorities with respect to such facilities no later than [*] business days after receipt, to the extent such written communications relate to Finished Product or the Finished Manufacture thereof.

5.10 **Regulatory Matters Outside the Territory** . Versartis, through the JSC, will keep Teijin reasonably informed of all material events and developments occurring in the course of the regulatory activities with respect to Licensed Products in the Versartis Territory , including the overall content and outcome of any strategy discussions and meetings with applicable regulatory authorities in the Versartis Territory which relate to Licensed Products.

ARTICLE VI
COMMERCIALIZATION

6.1 **Overview and Diligence** . Subject to, and in accordance with, the terms and conditions of this Agreement and all Applicable Laws, Teijin, at its expense, will be solely responsible for Commercializing the Licensed Product(s) in the Territory. Teijin shall use Commercially Reasonable Efforts to Commercialize the Licensed Product(s) in each indication that receives Regulatory Approval in the Territory, and shall achieve the First Commercial Sale in the Territory reasonably promptly after obtaining Regulatory Approval for such Licensed Product in the Territory, but not later than [*] months after, the date on which Pricing Approval is granted for such Product in Japan; provided, however, that such [*]-month period may be extended by an agreement between the Parties.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

6.2 **Marketing Plan** . Without limiting the generality of the other provisions in this ARTICLE VI, Teijin will prepare and submit to the JSC a plan containing the strategy and proposed activities (described generally) for marketing and selling the Licensed Products in the Territory (as updated pursuant to this Section 6.2, the " **Marketing Plan** "). Teijin will submit a proposed draft of the Marketing Plan for the Territory to the JSC for approval by the JSC no later than [*] months prior to the anticipated date of the f irst c ommercial s ale of the Lead Product in the Territory and [*] months prior to the anticipated date of the f irst c ommercial s ale of any other Licensed Product in the Territory. Teijin will deliver to the JSC an update of the relevant sections of the Marketing Plan on an annual basis during the Term . Updates to the Marketing Plan will reflect, among other things, each new indication in the Field for which the Licensed Product has received Regulatory Approval . Teijin will be solely responsible for all decisions regarding the day-to-day conduct of Commercialization within the Territory .

6.3 **Sales Forecasts** . Pursuant to ARTICLE IX, Teijin will provide certain forecasts with respect to its commercial requirements for sale of the Lead Product and any other Licensed Products in the Territory in accordance with the terms and conditions therein.

6.4 **Pricing** .

6.4.1 Teijin shall be responsible, at its own expense, for seeking Pricing Approval in the Territory. Teijin shall keep Versartis informed on an ongoing basis of Teijin's strategy for seeking, and the results it obtains in seeking, Pricing Approval, including, without limitation, the results of any material discussion or other communication with relevant Governmental Authorities regarding Pricing Approval, via regular reports to the JSC no less frequently than such committee is required to meet.

6.4.2 Subject to Section 6.4.3, [*] the Licensed Product in the Territory. Notwithstanding anything in this Agreement express or implied to the contrary, [*]. Teijin shall update, through the JSC, Versartis with respect to such pricing matters, provided that [*] .

6.4.3 In the event Teijin sells the Licensed Product in a "bundle" with one or more other products or services at a discount to the purchaser, Teijin shall not disproportionately discount the Licensed Product relative to the other products or services composing such bundle.

6.5 **Reports** . Teijin shall update the JSC at the JSC's regularly-scheduled meetings regarding Teijin's significant Commercialization activities (such as promotion campaign and planned Phase 4 studies) with Licensed Products in the Territory. In addition, Teijin shall present written reports to the JSC [*], summarizing Teijin's significant Commercialization activities with respect to Licensed Products in the Territory pursuant to this Agreement and including a forecast for the following year's sales of the Licensed Product in the Territory. Such reports shall cover subject matter at a level of detail reasonably sufficient to enable Versartis to determine Teijin's compliance with its diligence obligations pursuant to this Section 6.5.

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6.6 **Approval for Certain Marketing Activities** . To the extent that any marketing or Medical Affairs Activities by Teijin for Commercialization of the Licensed Product in the Territory relate to or require activities outside of the Territory, including without limitation, initiation of investigator initiated studies, scientific publications, and the education of medical practitioners and caregivers outside the Territory, the JSC shall be responsible for coordinating and approving such marketing activities or proposed publications. Except as required or permitted by Applicable Law, Teijin acknowledges that it cannot conduct an investigation or initiate a post-marketing clinical study that is not specifically related to any indication in the Field included on the label or in the package insert for Licensed Products.

6.7 **Marketing and Promotional Literature** . Teijin shall prepare all marketing and promotional literature related to Licensed Products for use in the Territory in accordance with Applicable Laws. As provided for in Section 6.9, in certain marketing and promotional literature , Versartis will be presented and described as the Party who developed the Licensed Product in a manner to be determined by the JSC on, by way of example, all labels, packaging, packaging inserts, and promotional literature related to the Licensed Product, in each case to the extent permitted by Applicable Laws.

6.8 **Marketing and Sales in the Versartis Territory** . Beginning approximately [*] prior to the first commercial sale of a Licensed Product in the Versartis Territory, Versartis, through the JSC, shall keep Teijin reasonably informed of all material activities and developments with respect to the marketing and sale of Licensed Products in the Versartis Territory. Teijin hereby grants Versartis the right to use the Teijin Housemark on the Licensed Products, and on the labels, packaging, promotional materials, and other materials therefor, solely in connection with marketing activities or medical affairs activities in the Versartis Territory that describe Teijin as Versartis' partner with respect to the Licensed Product in the Territory; provided that, in no event will Versartis have the right to alter or modify the Teijin Housemark in any way in such use.

6.9 **Labeling and Patent Rights Marking** . Subject to, and in accordance with, Applicable Laws, Teijin shall identify Versartis as the licensor or manufacturer of the Licensed Products using the Versartis Housemarks designated by Versartis for such use in certain mutually agreed promotional materials for the Licensed Products in the Territory where such identification is appropriate, in a manner approved in advance in writing by both Parties, and in accordance with (and subject to) the Trademark License set forth in Section 2.9.1. To the extent permitted by Applicable Law and customary in the industry for such products, Teijin will mark all Licensed Products sold in the Territory by Teijin, its Affiliates, or Sublicensees with appropriate Product Trademarks and patent numbers. Teijin may, in its sole discretion, include any Teijin Housemark on the Licensed Products, and on the labels, packaging, promotional materials, and other materials therefor, subject to Applicable Law.

6.10 **Selection of Product Trademark** . Th e trademark for use in connection with the Commercialization of Licensed Products in the Territory in the Field, including the trademarks for the Licensed Compound and the trademark for the delivery device therefor, if any, shall be determined in accordance with this Section 6.10. Versartis as of the Effective Date intends to

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have the Licensed Product commercialized worldwide under a global product trademark, where feasible and appropriate. Accordingly, Versartis has selected certain preferred proposed worldwide trademarks, as set forth in Schedule 6.10 (the " **Versartis Proposed Trademarks** "). Teijin agrees promptly following the Effective Date to evaluate in good faith such Versartis Proposed Trademarks for use in connection with the commercialization of the Licensed Products in the Territory, including the appropriateness of such trademarks for the Japanese market, any existing confusingly similar trademarks, etc. If Teijin in good faith does not believe that any of the Versartis Proposed Trademarks are appropriate for the Territory, it shall so inform Versartis, and shall propose one or more potential t rademarks as alternatives to the Versartis Proposed Trademarks for use in the Territory . The Parties shall then review and discuss such proposed alternative trademarks for the Licensed Product, and Teijin shall have the right to proceed with the alternative trademark but only if approved and agreed to by Versartis. Any such proposed alternative trademark shall be owned by Versartis. The trademarks selected for use in connection with the Commercialization of Licensed Products in the Territory, whether it is a Versartis Proposed Trademark or an alternative proposed by Teijin and agreed upon by Versartis, shall be deemed the " **Product Trademarks** ".

ARTICLE VII
FINANCIAL TERMS

7.1 **Upfront Payment** . Within fifteen (15) Business Days after the Effective Date, as a material inducement to Versartis entering into this Agreement and to forego pursuing other commercial arrangements for the Licensed Product in the Territory, Teijin shall pay to GmbH a non-refundable, non-creditable, upfront payment of forty million dollars ($40,000,000).

7.2 **Reimbursements of Joint and Independent Work Costs** .

7.2.1 **Joint Work Costs** . No later than [*] days after the beginning of each Calendar Quarter during which a Proposing Party will perform any Joint Development Work, such Proposing Party shall submit to the Non-Proposing Party a statement setting forth the Joint Work Costs incurred, including the Non-Proposing Party's share (calculated in accordance with Section 4.6.2.1) of (i) estimated Joint Work Costs for the then current Calendar Quarter; (ii) variances from prior invoiced estimates and actual Joint Work Costs; and (iii) Joint Work Costs incurred by or on account of such Proposing Party in the past Calendar Quarter not previously invoiced. Such invoice shall include a reasonably detailed report for such Joint Work Costs, including supporting documents. To the extent provided in Section 4.6.2.1, the Non-Proposing Party shall pay the amount invoiced within [*] days after receipt of such invoice, subject to the Non-Proposing Party's right to audit the Proposing Party's records and books related to such costs as provided in Section 8.5. For clarity, making such a payment does not preempt the Non-Proposing Party's audit rights under Section 8.5, which remain in full force and effect.

7.2.2 **Independent Work Costs** . Except as set forth below in this Section 7.2.2, a Proposing Party shall be solely responsible for all Independent Work Costs associated with such Party's Independent Development Work. In the event that the Non-Proposing Party elects to reimburse the Proposing Party for access and use of any Data generated by such

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Independent Development Work as provided in Section 4.6.2.2, the Non-Proposing Party shall provide the Proposing Party written notice thereof. Upon the Proposing Party's receipt of such notice, the Proposing Party shall submit to the Non-Proposing Party a reasonably detailed invoice setting forth the Independent Work Costs incurred, including the Non-Proposing Party's share (calculated in accordance with Section 4.6.2.2). Such invoice shall include a reasonably detailed report for such Independent Work Costs, including supporting documents. To the extent provided in Section 4.6.2.2, the Non-Proposing Party shall pay the amount invoiced within [*] days after receipt of such invoice, subject to the Non-Proposing Party's right to audit the Proposing Party's records and books related to such costs as provided in Section 8.5. For clarity, making such a payment does not preempt the Non-Proposing Party's audit rights under Section 8.5, which remain in full force and effect.

7.3 **Milestone Payments** .

7.3.1 **Development Milestones** . Teijin shall pay to GmbH the one-time, non-refundable, non-creditable payments set forth in the table below within [*] days of the first achievement by a Licensed Product of the applicable milestone event (whether by Teijin or its Affiliate or Sublicensee). For the avoidance of doubt, each of the following milestone payments shall be payable only once regardless of the number of times achieved by one or more Licensed Products.

Development Milestone Event	**Development Milestone Payment (in US$)**
[*] (the "Milestone Event One")	$[*]
[*] (the "Milestone Event Two")	$[*]
[*] (the "Milestone Event Three")	$[*]
[*] (the "Milestone Event Four")	$[*]
[*] (the "Milestone Event Five")	$[*]

In the event that the Primary Efficacy Endpoint is not met with respect to the Milestone Event One set forth in the table above, the corresponding milestone payment shall not become due and payable. In such event, Teijin shall be required to elect either to: (i) terminate this Agreement pursuant to Section 14.2.1, or (ii) pay GmbH [*] dollars ($[*]) to maintain its license to the Licensed Products and the remainder of this Agreement in full force and effect and proceed with Development of the Licensed Products in the Territory. For clarity, if Teijin elects to maintain this Agreement pursuant to the foregoing clause (ii), the remaining development milestones set forth in the table above shall become due and payable upon their achievement as provided in this Section 7.3.1.

7.3.2 **Sales Milestones** . As a material adjustment to the provisional Transfer Price (as set forth in Section 7.4 of this Agreement) for the commercial supply of Finished Product by Versartis to Teijin, Teijin shall pay to GmbH the additional one-time, non-refundable, non-creditable payments set forth in the table below within [*] days of the end of the Fiscal

Year in which the applicable sales milestone event is first achieved by Teijin, its Affiliates, and Sublicensees. If two or more sales milestone events are achieved in the same Fiscal Year, then Teijin shall pay to GmbH all of the applicable milestone payments. For the avoidance of doubt, each of the following milestone payments shall be payable only once regardless of the number of times such milestone is achieved.

Sales Milestone Event	Sales Milestone Payment (in US$)
First achievement of aggregate Fiscal Year Net Sales in the Territory reaching [*] Japanese yen (¥[*]) across all Licensed Products	$[*]
First achievement of aggregate Fiscal Year Net Sales in the Territory reaching [*] Japanese yen (¥[*]) across all Licensed Products	$[*]
First achievement of aggregate Fiscal Year Net Sales in the Territory reaching [*] Japanese yen (¥[*]) across all Licensed Products	$[*]

7.4 **Transfer Price** .

7.4.1 **Initial Transfer Price Rate** . During the Transfer Price Term, Versartis shall be the exclusive supplier to Teijin of commercial supply of Finished Product. In consideration for the Finished Product provided by Versartis to Teijin for Commercial use, Teijin shall pay to GmbH a provisional transfer price (the " **Transfer Price** ") equal to a percentage of the per unit Net Sales price of Finished Product for each unit of Finished Product ordered by Teijin and delivered by Versartis, subject to Sections 7.4.2, 7.4.6, and 7.6. All payment of the Transfer Price will be calculated in Japanese yen and paid in U.S. dollars. With respect to the Lead Product Finished Product, such Transfer Price shall be equal to the percentage rates set forth in the table below (the " **Transfer Price Rate** "). With respect to Finished Product for all other Licensed Products, the Transfer Price Rate shall be equal to the percentage rates set forth in the table below; provided, however, that if Versartis is able to demonstrate to Teijin's reasonable satisfaction, that Versartis' Manufacturing Costs with respect to such other Finished Product is [*] percent ([*]%) higher than its Manufacturing Costs with respect to the Lead Product Finished Product, the Parties shall negotiate in good faith an adjustment to the Transfer Price below for such Licensed Product Finished Product, which adjusted Transfer Price reflects such increased Manufacturing Costs.

Applicable Period	Transfer Price Rate
Tier 1 Rate: To be in effect during the period of time from First Commercial Sale until both of the following have occurred: (i) a [*] indication is approved for a Licensed Product, and (ii) the aggregate Net Sales in a Fiscal Year across all Licensed Products have exceeded [*] Japanese yen (¥[*])	[*]% of Net Sales price

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Tier 2 Rate: To be in effect during the period of time after both of the following have occurred: (i) a [*] indication is approved for a Licensed Product and (ii) the aggregate Net Sales in a Fiscal Year across all Licensed Products have exceeded [*] Japanese yen (¥ [*]), and extending until the end of the Transfer Price Term	[*]% of Net Sales price on Fiscal Year Net Sales of all Licensed Products sold up to ¥[*]; [*]% of Net Sales price on that portion of all Fiscal Year Net Sales of all Licensed Products sold over ¥[*]

7.4.2 **Estimated Price** . No later than [*] month before the beginning of each Fiscal Year after Teijin's first filing of the MAA for the Licensed Product, Teijin shall calculate and report to Versartis its good-faith, estimated average per unit Net Sales price for Finished Product in the Territory for such Fiscal Year (the " **ENS** "). The ENS shall be calculated by Teijin based on the estimated average per unit Net Sales of the Finished Product in the Territory, as set forth, in good faith, in its annual budget for such Fiscal Year.

7.4.3 **Initial Payment** . For each unit of Finished Product delivered to Teijin in a Fiscal Year, Teijin shall pay to GmbH an amount equal to [*] percent ([*]%) or [*] percent ([*]%), as the case may be, of the applicable ENS for Finished Product for such Fiscal Year, which amount shall be paid within [*] days after the end of the calendar month in which Teijin receives Versartis' invoice for such quantity of Finished Product. The Transfer Price Rate of [*] percent ([*]%) of the ENS shall be applied to the Finished Product delivered during the period of time after both of the following have occurred: (i) a [*] indication is approved for a Licensed Product in the Territory and (ii) the aggregate ENS amount owed to Versartis, as measured by the number of units of Finished Product delivered by Versartis to Teijin in a Fiscal Year across all Licensed Products, has exceeded [*] Japanese yen (¥[*]), and extending until the end of the Transfer Price Term. Such invoice from Versartis shall be in yen. At the time the invoice is generated, the U.S. dollar value of the invoiced amount will be computed and specified in each invoice, calculated using the Exchange Rate.

7.4.4 **Actual Price and True Up** . Within [*] days after the end of a Fiscal Year, Teijin shall calculate and report to Versartis in writing the actual average per unit Net Sales price for the Finished Product in the Territory in such Fiscal Year (the " **ANS** "). The ANS shall be calculated by dividing the Net Sales for such Fiscal Year by the number of units of Finished Product sold by Teijin that constitutes the Net Sales for such period; provided that in no event shall the Transfer Price be less than [*] during the Transfer Price Term, which the Parties will determine more precisely and set forth in the Commercial Supply Agreement. Within [*] days after Teijin's report of the ANS for a Fiscal Year, either Teijin shall pay to GmbH a True-Up Payment or Versartis shall issue a refund or credit to Teijin, as applicable and in accordance with the example of the calculation of ENS payments and the application of the ANS settlement and true-up procedure set forth in Schedule 7.4.4.

7.4.5 Any T rue - Up P ayment shall be calculated in yen , invoiced by Versartis in yen, and paid in U.S. dollars . Versartis ' credit note for any T rue- U p Refund shall be in yen. At the time the invoice or credit note is generated, the U.S. dollar value of the invoiced amount will be computed and specified in the invoice or credit note , as applicable, using the Exchange R ate .

7.4.6 **Transfer Price Term** . The above Transfer Price would apply to commercial supply shipped until the later of: (a) [*] years from the First Commercial Sale in the Territory or, (b) on a Licensed Product-by-Licensed Product basis, expiration of the last to expire of the Versartis Patents (the " **Transfer Price Term** ").

7.4.7 **Transfer Price Post Transfer Price Term** . After the Transfer Price Term the Transfer Price for a particular Fiscal Year (or portion thereof) shall be equal to [*] percent ([*]%) of the per unit Net Sales price for such Fiscal Year (which [*] percent ([*]%) includes the [*] percent ([*]%) royalty Teijin owes Versartis pursuant to Section 14.1), provided that in no event shall such rate be reduced to an amount that would result in a payment equal to less than the [*]. Such Transfer Price shall be paid in an initial payment, based upon the ENS, and trued up depending upon the ANS, all in accordance with the process set forth in Sections 7.4.3 and 7.4.4.

7.5 **Running Royalties** .

7.5.1 **Royalty Rate** . In consideration of the grant of rights set forth herein, Teijin shall pay to GmbH on a Licensed-Product by Licensed-Product basis, an amount equal to [*] percent ([*]%) of Net Sales of such Licensed Product, on a Fiscal Quarter basis. Teijin shall provide a report to Versartis, within [*] days after the end of each Fiscal Quarter, an estimate of Teijin's Net Sales (in yen) during such Fiscal Quarter, and within [*] days following the end of each Fiscal Quarter, shall pay to Versartis such royalty, in US dollars. At the time such report is generated regarding Teijin's Net Sales, the U.S. dollar value of such Net Sales will be computed using the Exchange Rate.

7.5.2 **Royalty Term** . Royalties shall be paid on a Licensed-Product by Licensed-Product basis until the later of: (a) [*] years from the First Commercial Sale in the Territory or, (b) on a Licensed Product-by-Licensed Product basis, expiration of the last to expire of the Versartis Patents (the " **Royalty Term** ").

7.6 **Transfer Price and Royalty Adjustments** . The Transfer Price payable by Teijin hereunder shall be reduced in certain circumstances as follows:

7.6.1 **Adjustments for Biosimilar Competition** .

7.6.1.1 If the Transfer Price Term extends beyond [*] years from the First Commercial Sale in the Territory, and one (1) or more Biosimilar Products are sold in the Territory after [*] years from the First Commercial Sale, the Transfer Price to be paid by Teijin to Versartis during the remainder of the Transfer Price Term (the " **Remaining Transfer Price Term** ") shall be reduced [*]; provided, however, that in no case during the Remaining Transfer Price Term shall the Transfer Price be reduced to a rate less than [*] percent ([*]%)

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of the Net Sales price. By way of example, [*] . For purposes of this Section 7.6.1, a " **Biosimilar Product** " means any product that (a) is sold by a Third Party that is not an Affiliate or Sublicensee of Teijin, (b) is biosimilar to, or interchangeable with, the Licensed Product or may otherwise be legally substituted for the Licensed Product, and (c) is approved at least in part in reliance on, or reference to, a prior Regulatory Approval for the Licensed Product granted to Teijin or its Affiliate or Sublicensee by the applicable Regulatory Authority.

7.6.1.2 Similarly, if the Royalty Term extends beyond [*] years from the First Commercial Sale in the Territory, and one (1) or more Biosimilar Products are sold in the Territory after [*] years from the First Commercial Sale, the royalty rate to be paid by Teijin to Versartis during the remainder of the Royalty Term (the " **Remaining Royalty Term** ") shall be reduced [*]; provided, however, that in no case during the Remaining Transfer Price Term shall the royalty rate be reduced to a rate less than [*] percent ([*]%) of the Net Sales price.

7.6.1.3 **Third Party Royalty** . Versartis shall be solely responsible for any and all amounts due to any Third Party under any agreement entered into by and between Versartis and such Third Party prior to the Effective Date, including under the agreements listed on Schedule 7.6.1.3 attached hereto. If the Parties agree that it is [*] for Teijin to obtain a license from a Third Party under any Patent in the Territory in order to sell a Licensed Product in the Territory, such agreement not to be unreasonably withheld, conditioned, or delayed, and Teijin obtains such a license, Teijin may deduct an aggregate of [*] percent ([*]%) of the royalty payment paid to such Third Party from the Transfer Price payment and/or royalty payment that would otherwise have been due pursuant to Section 7.4.1 with respect to Net Sales of such Licensed Product in the Territory for the applicable month and/or Fiscal Quarter; provided, however, that in no case during the Transfer Price Term shall the Transfer Price per unit of Finished Product be reduced by more than [*] percent ([*]%) [*], and in no case during the Royalty Term shall the royalty rate be reduced below [*] percent ([*] %). For the avoidance of doubt, the foregoing limitation applies regardless of any application of any additional reductions under this Section 7.6.

ARTICLE VIII
RECORDS AND REPORTS

8.1 **Reports; Payment** . Unless otherwise expressly provided herein, each Party will make payments owed to the other Party hereunder within [*] days from the end of each calendar month in which such payment accrues. Each initial Transfer Price payment under Section 7.4.3 will be accompanied by a report specifying the ENS and the basis of Teijin's calculation of such ENS amount for such payment period. Within [*] days after the end of each Fiscal Quarter, and within [*] days after the end of each Fiscal Year, Teijin shall deliver a report to Versartis detailing the sales of any Licensed Products occurring in such Fiscal Quarter/Fiscal Year, specifying: (i) the gross sales and Net Sales (including a statement of the individual deductions taken from gross sales in the calculation of Net Sales) on a Licensed Product-by-Licensed Product basis, in yen; and (ii) the amount of such Net Sales in United States dollars. Teijin shall make all payments due to Versartis hereunder, including payments pursuant

to Sections 7.1 (Upfront Payment), 7.3 (Milestone Payments), and 7.4 (Transfer Price), and Section 7.5 (Running Royalties) by wire transfer of immediately available funds in United States dollars to a bank account or bank accounts designated by Versartis in writing.

8.2 **Interest on Late Payments** . Any amounts not paid by either Party when due under this Agreement will be subject to interest from and after the date payment is due through and including the date upon which such Party makes such payment at the [*] interest rate of [*] percent ([*]%) [*]; provided, however, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit the Party entitled to receive payment from exercising any other rights it may have as a consequence of the lateness of any payment.

8.3 **Currency** . All references to dollars and "$" herein shall refer to United States dollars. All references to yen and ¥ refer to Japanese yen.

8.4 **Taxes** .

8.4.1 **Taxes on Income** . Each Party shall be solely responsible for the payment of all taxes imposed on its share of income arising directly or indirectly from the collaborative efforts of the Parties under this Agreement.

8.4.2 **Indirect Taxes** . All amounts under this Agreement are stated herein exclusive of sales tax, use tax, value added tax or any similar indirect tax. If any indirect tax is chargeable in respect of any payments, the remitting Party shall pay such indirect tax at the applicable rate in respect of any such payment following the receipt, where applicable, of an invoice in the appropriate form issued by the receiving Party in respect of such payment, such indirect tax to be payable on the due date of the payment to which such indirect tax relates. The Parties shall issue invoices under this Agreement consistent with such indirect tax requirements.

8.4.3 **Cooperation and Coordination** . The Parties acknowledge and agree that it is their mutual objective and intent to minimize taxes in accordance with applicable Law with respect to their collaborative efforts under this Agreement and that they shall use all commercially reasonable efforts to cooperate and coordinate with each other to achieve such objective.

8.4.4 **Tax Withholding** .

8.4.4.1 Notwithstanding anything to the contrary in this Agreement, but subject to Section 8.4.4.2, if Teijin is required under any applicable law, regulation or government order to withhold or deduct any Taxes with respect to payments under this Agreement, on condition that (i) [*] and (ii) [*].

8.4.4.2 Notwithstanding the foregoing Section 8.4.4.1, [*].

8.4.4.3 For the avoidance of doubt, in determining amounts payable pursuant to this Section 8.4.4, [*] and [*].

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8.4.4.4 Prior to withholding any amounts from payments due to Versartis, [*] . [*] . Teijin shall provide Versartis within [*] days of such a payment of Taxes with reasonable documentation reporting any amounts withheld by Teijin with respect to payments made to Versartis, including official Tax receipts or other evidence of payment of all such withholding Taxes.

8.4.4.5 Teijin and Versartis shall reasonably cooperate to reduce otherwise applicable withholding taxes by providing tax forms requested by either Party for the purpose of claiming reductions or exemptions in otherwise applicable taxes. Teijin also agrees to inform Versartis of any audit of Teijin with respect to withholding of taxes hereunder, and in such event to reasonably consult with Versartis with respect to such matter. Versartis (including any entity to which this Agreement may be assigned, as permitted under Section 16.6) shall provide Teijin appropriate certification upon the execution of this Agreement and at the beginning of each Fiscal Year.

8.4.4.6 In the event that a governmental authority requires Versartis to provide additional information and records to establish its right to a credit, exemption or refund of any amounts withheld by Teijin, Teijin shall fully and promptly cooperate with Versartis and provide to Versartis, no later than [*] days of Versartis' request, such additional information and records as Versartis may request. Teijin shall provide Versartis with such assistance and documentation as Versartis shall request in connection with any application by Versartis to qualify for the benefit of a reduced rate of withholding taxation under the terms of any applicable tax treaty .

8.4.5 **Tax Residence Certificate** . A Party (including any entity to which this Agreement may be assigned, as permitted under Section 16.6) receiving a payment pursuant to this Agreement shall provide the remitting Party appropriate certification from relevant revenue authorities that such Party is a tax resident of that jurisdiction (a " **Tax Residence Certificate** "), if such receiving Party wishes to claim the benefits of an income tax treaty to which that jurisdiction is a party. Upon the receipt thereof, any deduction and withholding of taxes shall be made at the appropriate treaty tax rate.

8.4.6 **Assessment** . Either Party may, at its own expense, protest any assessment, proposed assessment, or other claim by any Governmental Authority for any additional amount of taxes, interest or penalties or seek a refund of such amounts paid if permitted to do so by applicable Law. The Parties shall cooperate with each other in any protest by providing records and such additional information as may reasonably be necessary for a Party to pursue such protest.

8.4.7 **Other Tax Liability** . In the case of value added or similar taxes incurred by a Party with respect to payments made to a Party hereunder or the activities underlying such payments (the " **VAT** "), each Party and their Affiliates will use Commercially Reasonable Efforts to secure available exemption(s) from VAT and/or to cooperate with the other Party's efforts to obtain maximum recovery of VAT paid or incurred by such Party or any Affiliate, to the extent permitted by Applicable Law.

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8.4.8 **Payments Treated as Royalties for Tax Purposes** . The Parties agree that , to the extent consistent with Applicable Law, the payments under Section 7.3.1 (Development Milestones) and Section 7.5 (Running Royalties) are payments received as consideration for the use of, or the right to use, a patent or patents, a secret process, or information concerning industrial, commercial, or scientific experience between Japan and Switzerland and, if applicable, within the meaning of the Income Tax Convention for the Avoidance of Double Taxation between Japan and the United States. Accordingly, such payments constitute "royalties" for Tax purposes, and the Parties intend and agree (to the extent consistent with Applicable Law) to treat them as such for Tax purposes.

8.4.9 **Payments Treated as Sale of Tangible Personal Property for Tax Purposes** . The Parties agree that, to the extent consistent with Applicable Laws, the payments under Section 7.3.2 (Sales Milestones) and Section 7.4 (Transfer Price) are payments received for the supply of Finished Product, and such payments constitute the sale of tangible personal property for tax purposes, and the Parties intend and agree (to the extent consistent with Applicable Laws) to treat them as such for tax purposes.

8.5 **Records; Audits** . Each Party shall maintain complete and accurate records in sufficient detail in relation to this Agreement to permit the other Party to confirm the accuracy of the amount of Joint Work Costs, Independent Work Costs, and the Manufacturing Costs to be reimbursed or shared, achievement of sales milestones, and the amount of Transfer Price (including calculation of the ENS and the ANS, actual Net Sales and sales volumes for a given Fiscal Year) and other payments under this Agreement. Each Party will keep such books and records for at least [*] years following the Fiscal Year to which they pertain. Upon reasonable prior notice, such records may be inspected during regular business hours at such place or places where such records are customarily kept by an independent certified public accountant selected by the auditing Party and reasonably acceptable to the audited Party for the sole purpose of verifying for the auditing Party the accuracy of the financial reports furnished by the audited Party pursuant to this Agreement or of any payments made, or required to be made, by or to the audited Party pursuant to this Agreement. Such audits may occur no more often than once each Fiscal Year and not more frequently than once with respect to records covering any specific period of time. Each Party shall only be entitled to audit the books and records from the [*] Fiscal Years prior to the Fiscal Year in which the audit request is made. Such auditor shall not disclose the audited Party's Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by the audited Party or the amount of payments to or by the audited Party under this Agreement. Any amounts shown to be owed but unpaid as a result of such audit shall be paid within [*] days from the auditor's report (plus interest on such amounts pursuant to Section 8.2). Any amounts shown to have been overpaid shall be refunded to the overpaying party within [*] days from the auditor's report. The auditing Party shall bear the full cost of such audit unless such audit discloses an underpayment of the amount actually owed of more than [*] percent ([*]%), in which case the audited Party shall bear the full out-of-pocket, external cost of such audit.

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8.6 **Payments to Versartis Entities** . Teijin acknowledges and understands that following the Effective Date Versartis may desire to have one or more payments owed hereunder and payable to GmbH directed to another Versartis Affiliate, including Versartis US. Teijin agrees to comply with any reasonable request by Versartis to so direct such payments although Versartis will provide in writing information to Teijin as to which party is the beneficial owner of such funds in order for Teijin to be able to comply with any applicable withholding tax requirements, provided such other Versartis Affiliate is a resident of either the U.S. or Switzerland qualified to be a beneficiary of an applicable tax treaty , and if such other Versartis Affiliate is not such a resident , then subject to amendment of Section 8.4.4 as appropriate .

ARTICLE IX
SUPPLY

9.1 **Non-Commercial Supply of Drug Product** .

9.1.1 **Ordering and Forecasts, Price** . Versartis shall, itself or through one or more Third Party contract manufacturers, supply to Teijin, upon written request by Teijin under the terms and conditions of this ARTICLE IX, quantities of Drug Product reasonably required by Teijin for clinical activities pursuant to Section 4.4 or Section 4.6, and consistent with the Development Plan, to Develop the Licensed Product in the Territory. Such clinical supply of Drug Product shall be supplied by Versartis to Teijin at a price equal to [*]. The forecast of quantity and schedule for clinical supply of Drug Product under this Section 9.1 (the " **Clinical Drug Product Requirements Forecast** ") shall be mutually coordinated through the JSC and shall be consistent with the applicable Development Plan; provided, however, that until approved in accordance with this Section 9.1, the Clinical Drug Product Requirements Forecast shall be non-binding and operative only for planning purposes, and neither Party shall have any contractual obligation with respect thereto. The Parties may approve the Clinical Drug Product Requirements Forecast by mutual agreement evidenced by:

9.1.1.1 a request for quote submitted by Teijin to Versartis (or its authorized contract manufacturer(s)) specifically defining its requirements for Drug Product, including at least a specific quantity, and a required schedule for delivery thereof;

9.1.1.2 a quote from Versartis (or its authorized contract manufacturer(s)) to Teijin for supply of Drug Product setting forth a defined quantity, delivery schedule, and estimated price (based on estimated Manufacturing Cost) and FCA (Incoterms 2010) at a location to be designated by Versartis; and

9.1.1.3 a purchase order issued by Teijin to Versartis (or its authorized contract manufacturer(s)) consistent with the mutually agreed terms stated in such quote. Title to the Drug Product shall pass to Teijin upon the delivery thereof to the named carrier.

Versartis (or its authorized contract manufacturer(s)) shall invoice Teijin following delivery of Drug Product to Teijin. Teijin shall pay original invoices covering Drug Product ordered within [*] days of its receipt of such original invoices, subject to Teijin's right of replacement of

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defective Drug Product as set forth in Section 9.1.2; it being further understood that to the extent Teijin's inspection of the delivered Drug Product reveals that such Drug Product failed to conform to any warranty provided to Section 9.1.2, such amounts paid for such Drug Product woul d be credited to future orders.

9.1.2 **Non-Commercial Drug Product Representation and Warranty** . The Drug Product supplied pursuant to Section 9.1.1 shall (i) be manufactured in accordance with GMP; and (ii) meet the Specifications. Within [*] days following receipt of each delivery under Section 9.1.1, Teijin shall conduct an inspection of the Drug Product and notify Versartis if any such Drug Product has failed to conform to any warranty provided above in this Section 9.1.2. In such case, Versartis shall immediately, at Teijin's option, either (a) credit the amount paid for such defective Drug Product; or (b) replace at its expense such defective Drug Product with Drug Product conforming to all warranties as provided above in this Section 9.1.2.

9.2 **Commercial Supply of Finished Product; Commercial Supply Agreement** . Versartis shall supply, itself or through one or more Third Party contract manufacturers, Teijin's reasonable requirements for Finished Product for use in Teijin's Commercialization of the Licensed Products under this Agreement, at the Transfer Price. Prior to December 15, 2016, the Parties shall negotiate in good faith to enter into a supply agreement (the " **Commercial Supply Agreement** ") governing the details of such commercial supply to Teijin of Finished Product by or on behalf of Versartis. Such Commercial Supply Agreement shall contain the terms set forth in this Agreement related to commercial supply, an arrangement to address Versartis' inability to timely supply Teijin's requirements for whatever reason, including pro-rata basis allocation of the Finished Product and establishment of a second manufacturing source, in all cases, consistent with Versartis' rights and obligations under its commercial supply agreement with its contract manufacturer , and customary terms governing such manufacturing and supply relationship including Teijin's and the PMDA's right to audit Versartis' facility or a facility under contract with Versartis with regard to the Finished Product supplied to Teijin for the Territory, and shall provide that such Finished Product will be supplied by Versartis to Teijin at a price equal to the Transfer Price, and that Versartis use Commercially Reasonable Efforts to procure materials for use in Manufacturing of the Finished Product at commercially reasonable prices. Following the execution of such Commercial Supply Agreement (and as contemplated by the Commercial Supply Agreement), the Parties as well as the relevant Third Party contract manufacturer shall negotiate in good faith to enter into a quality agreement governing the Specifications and other technical aspects of such commercial supply of the Finished Product.

9.3 **Inspection of Finished Product** . Teijin shall be responsible for, at its own cost, all testing and final release of all Drug Product and Finished Product delivered by Versartis, for both Development and Commercialization in the Territory. The Commercial Supply Agreement shall set forth the appropriate portion of each shipment of Finished Product designated for use solely in acceptance testing and release of such shipment of Finished Product, and not for commercial sale. Such portion shall be supplied by Versartis to Teijin at a price equal to [*].

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9.4 **Comparator Drugs; Placebo** . Teijin shall be responsible for obtaining, at its sole expense, all supplies of its requirements of all comparator drugs for conducting clinical trials of the Licensed Product in the Territory. Versartis shall be responsible for obtaining, at Teijin ' s expense, all supplies of Teijin ' s requirements of placebos necessary for conducting clinical trials of the Licensed Product in the Territory.

9.5 **Continuation of Supply** . The Commercial Supply Agreement shall provide that Versartis use reasonable efforts to undertake to make an arrangement for a second source of supply of Finished Product as soon as practicable, consistent with its overall supply plans for worldwide supply and its agreements with its Third Party contract manufacturer(s). The Commercial Supply Agreement shall address the obligation of Versartis, following the expiration of this Agreement, to continue to supply Finished Product to Teijin either by extending the term of the Commercial Supply Agreement, or pursuant to a separate supply agreement, at the Transfer Price referenced in Section 7.4.7.

ARTICLE X
INTELLECTUAL PROPERTY

10.1 **Ownership of Inventions** . As between the Parties, Versartis will own all Versartis Inventions and Teijin will own all Teijin Inventions, except that both Parties shall jointly own any inventions that are conceived, made, or generated jointly by the employees or consultants of both Parties (the " **Joint Inventions** "). Inventorship shall be determined in accordance with U.S. patent laws. Teijin Inventions shall be included in the Teijin Technology. Versartis Inventions and its interest in any Joint Inventions shall be included in the Licensed Technology.

10.2 **Disclosure of Inventions .** Each Party shall promptly disclose to the other Party any invention disclosures, or other similar documents, submitted to it by its employees, agents, or independent contractors describing inventions that are either Versartis Inventions, Teijin Inventions, or Joint Inventions, and all information relating to such inventions.

10.3 **Prosecution of Patents** .

10.3.1 **Versartis Patents in the Territory** . Except as otherwise provided in this Section 10.3.1, Versartis shall have the sole right and authority to prepare, file, prosecute, and maintain the Versartis Patents on a worldwide basis. Versartis shall bear all costs of preparation, filing, prosecution, and maintenance of Versartis Patents in the Territory. Versartis shall provide Teijin reasonable opportunity to review and comment on such efforts regarding such Versartis Patents covering any Versartis Invention in the Territory, including by providing Teijin with a copy of material communications from any patent authority in the Territory regarding such Versartis Patent, and by providing drafts of any material filings or responses to be made to such patent authorities in advance of submitting such filings or responses. If Versartis determines in its sole discretion to abandon or not maintain any such Versartis Patent(s) covering any Versartis Invention in the Territory, then Versartis shall provide Teijin with written notice of such determination within a period of time reasonably necessary to allow Teijin to determine its interest in such Versartis Patent(s). In the event Teijin provides written notice expressing its

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interest in obtaining such Versartis Patent(s), Versartis shall assign and transfer, without any compensation, to Teijin the ownership of, and interest in, such Versartis Patent (s) in the Territory, at Teijin's sole expense , and Versartis shall cooperate with Teijin for the assignment and transfer of such Versartis Patent (s) in the Territory at Teijin's sole expense. Teijin shall thereafter bear all costs of preparation, filing, prosecution, and maintenance of such assigned and transferred Patents in the Territory. In the event that Teijin decides to abandon or not maintain any such Patent(s), Teijin shall promptly provide Versartis with written notice of such decision. Teijin acknowledges and understands that all Versartis Patents which do not cover Versartis Inventions and which are in-licensed to Versartis pursuant to the In-License Agreements remain subject to the rights of Versartis' licensors to prosecute and maintain such Versartis Patents.

10.3.2 **Teijin Patents** . Except as otherwise provided in this Section 10.3.2, Teijin shall have the sole right and authority to prepare, file, prosecute, and maintain the Teijin Patents on a worldwide basis at its own expense, provided that nothing in this Agreement shall obligate Teijin to file Teijin Patents. If Teijin elects to file Teijin Patents, Teijin shall provide Versartis reasonable opportunity to review and comment on such efforts regarding Teijin Patents claiming any Teijin Inventions in the Versartis Territory, including by providing Versartis with a copy of material communications from any patent authority regarding such Teijin Patents in the Versartis Territory, and by providing drafts of any material filings or responses to be made to such patent authorities in advance of submitting such filings or responses. If Teijin determines in its sole discretion to abandon or not maintain any such Patent within the Teijin Patents anywhere in the world claiming a Teijin Invention, then Teijin shall provide Versartis with written notice of such determination within a period of time reasonably necessary to allow Versartis to determine its interest in such Teijin Patent(s). In the event Versartis provides written notice expressing its interest in obtaining such Teijin Patent(s), Teijin shall assign and transfer, without any compensation, to Versartis the ownership of, and interest in, such Teijin Patent(s) in the applicable jurisdiction at Versartis' sole expense, and Teijin shall cooperate with Versartis for the assignment and transfer of such Teijin Patent(s) at Versartis' sole expense. Versartis shall thereafter bear all costs of preparation, filing, prosecution, and maintenance of such assigned and transferred Patent(s). For the avoidance of doubt, such transferred Patent(s) shall be a part of the Versartis Patents licensed hereunder to Teijin upon Teijin's payment to Versartis of the patent expenses incurred by Versartis in the Territory related thereto. In the event that Versartis decides to abandon or not maintain any such transferred Patent(s), Versartis shall promptly provide Teijin with written notice of such decision.

10.3.3 **Joint Patents** . The Parties shall reasonably cooperate with respect to, and share the out-of-pocket external cost of, the preparation, filing, prosecution and maintenance of any patents or patent applications on any Joint Inventions (" **Joint Patents** ") based on the territory involved (i.e., Teijin pays such costs for prosecution and maintenance in the Territory and Versartis pays such costs for prosecution and maintenance in the Versartis Territory, and the Parties share equally any such costs that are not attributable to any particular territory, including, but not limited to, the costs for filing an international application under the Patent Cooperation Treaty). In connection with the foregoing, the Parties shall agree upon a lead Party to administer such filing, prosecution, and maintenance of any such Joint Patents and the Parties shall provide the non-lead Party a reasonably opportunity to review, comment on, and approve (not to be

unreasonably withheld) in advance any material filings and correspondence with applicable patent offices with respect thereto. Subject to the licenses granted to each Party hereunder in their respective territories, each Party shall have full rights to exploit and license such Joint Inventions (and the Joint Patents), without any obligation or requirement of an accounting to the other Party and each Party hereby consents to such exploitation and licensing of the other Party for Joint Inventions and the Joint Patents. If either Party determines in its sole discretion to waive its share in a Joint Patent in any country or jurisdiction in the world, then the Party may waive such share upon [*] days' prior written notice to the other Party. Such other Party may maintain such Patent(s) in its sole discretion and at its sole expense. For the avoidance of doubt, any Patent(s) in which Teijin waives its share and in which Versartis has the sole right and interest shall be included in the Versartis Patents licensed hereunder to Teijin upon Teijin's payment to Versartis of the patent expenses incurred by Versartis in the Territory related thereto.

10.3.4 **Cooperation in Prosecution** . Each Party shall provide the other Party all reasonable assistance and cooperation in the Patent prosecution efforts provided above in this Section 10.3, including providing any necessary powers of attorney and executing any other required documents or instruments for such prosecution, as well as further actions as set forth below:

10.3.4.1 The Parties shall respectively prepare, file, maintain, and prosecute the Versartis Patents, Teijin Patents, and any Joint Patents, as set forth in this Section 10.3. As used herein, "prosecution" of such Patents shall include, without limitation, all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application throughout the world in connection with pre-grant proceedings. Post-grant proceedings shall be governed by Sections 10.5 and 10.8.

10.3.4.2 All communications between the Parties relating to the preparation, filing, prosecution, or maintenance of the Versartis Patents and Teijin Patents, or any Joint Patents, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patents, shall be considered Confidential Information and subject to the confidentiality provisions of ARTICLE XI.

10.4 **Patent Term Extensions in the Territory** . The JSC will discuss and recommend for which, if any, of the Patents within the Versartis Patents and Teijin Patents or any Joint Patents in the Territory the Parties should seek patent term extensions in the Territory. Versartis, in the case of the Versartis Patents, and Teijin in the case of the Teijin Patents or any Joint Patents, shall have the final decision-making authority with respect to applying for any such patent term extension in the Territory, and will act with reasonable promptness in light of the development stage of Licensed Products to apply for any such patent term extension, where it so elects; provided, however, that if in the Territory only one such Patent can obtain a Patent Term Extension, then the Parties will consult in good faith to determine which such Patent(s) should be the subject of efforts to obtain a patent term extension. The Party that does not apply for an extension hereunder will cooperate fully with the other Party in making such filings or actions, for example and without limitation, making available all required regulatory Data and

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information and executing any required authorizations to apply for such patent term extension. All expenses incurred in connection with activities of each Party with respect to the Patent(s) for which such Party seeks patent term extensions pursuant to this Section 10.4 shall be totally borne by such Party.

10.5 **Infringement of Patents by Third Parties** .

10.5.1 **Notification** . Each Party shall promptly notify the other Party in writing of any existing or threatened infringement of the Versartis Patents or Teijin Patents or Joint Patents in the Territory of which it becomes aware, and shall provide all evidence in such Party's possession demonstrating such infringement.

10.5.2 **Infringement of Versartis Patents or Joint Patents in the Territory** .

10.5.2.1 If a Third Party infringes any Versartis Patent in the Territory by making, using, importing, exporting, offering for sale, or selling the Licensed Product or a Restricted Product (a " **Product Infringement** "), each Party shall share with the other Party all information available to it regarding such alleged infringement. Subject to the rights of Versartis' licensors under the In-License Agreements with respect to Versartis Patents licensed to Versartis thereunder to bring any enforcement action first (the " **Upstream Enforcement Rights** "), Teijin shall have the first right, but not the obligation, to bring an appropriate suit or other action against any Person engaged in such Product Infringement in the Territory, subject to Sections 10.5.2.2 through 10.5.2.5, below.

10.5.2.2 Teijin shall have a period of [*] days after the first notice under 10.5.1 to elect to enforce such Versartis Patent against such Product Infringement, subject to the Upstream Enforcement Rights. In the event Teijin does not so elect, Teijin shall so notify Versartis in writing, and Versartis shall have the right to commence a suit or take action to enforce the applicable Versartis Patent against such Third Party perpetrating such Product Infringement in the Territory. In this case, Teijin shall take appropriate actions as directed by Versartis in order to enable Versartis to commence a suit, at Versartis' expense.

10.5.2.3 Each Party shall provide to the Party enforcing any such rights under this Section 10.5.2 reasonable assistance in such enforcement, at such enforcing Party's request and expense, including joining such action as a party plaintiff if required by Applicable Law to pursue such action. The enforcing Party shall keep the other Party regularly informed of the status and progress of such enforcement efforts, shall reasonably consider the other Party's comments on any such efforts, and shall seek consent of the other Party in any important aspects of such enforcement including, without limitation, determination of litigation strategy and the filing of important papers to the competent court, which consent shall not be unreasonably withheld, conditioned, or delayed. The Party bringing the action shall have final decision making authority with respect to such action, subject to the provision of Section 10.5.5.

10.5.2.4 Each Party shall bear all of its own internal costs incurred in connection with its activities under this Section 10.5.2.

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10.5.2.5 The Party not bringing an action with respect to Product Infringement in the Territory under this Section 10.5.2 shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense, but such Party shall at all times cooperate fully with the Party bringing such action, subject to the Upstream Enforcement Rights.

10.5.3 **Infringement of Versartis Patents and Joint Patents in the Versartis Territory** . For any and all infringement of Versartis Patents or Joint Patents anywhere in the Versartis Territory, Versartis (or its Third Party Partner or licensors) shall have the sole and exclusive right to bring an appropriate suit or other action against any Person engaged in such other infringement of any Versartis Patents, in its sole discretion, and as between the Parties shall bear all related expenses and retain all related recoveries.

10.5.4 **Infringement of Teijin Patents** .

10.5.4.1 For infringement of any Teijin Patent by making, using, importing, exporting, offering for sale, or selling the Licensed Product or any product containing the Licensed Compound, Drug Product, Finished Product, or a Restricted Product in the Territory, Teijin shall have the exclusive right, but not the obligation, to bring, at Teijin's expense and in its sole control, an appropriate suit or other action against any Person engaged in such infringement of the Teijin Patent.

10.5.4.2 If a Third Party infringes a Teijin Patent by making, using, importing, exporting, offering for sale, or selling the Licensed Product, any product containing Licensed Compound, Drug Product, Finished Product, or a Restricted Product in any country or jurisdiction in the Versartis Territory, Teijin shall have the first right, but not the obligation, to bring, at its own expense, an appropriate suit or other action against any Person engaged in such infringement of such Teijin Patent in the Versartis Territory, subject to this Section 10.5.4. If Teijin does not bring such action within [*] days of the first notice thereof under 10.5.1, Versartis shall have the right, but not the obligation, to bring at its expense and in its sole control, such appropriate action in any such country or jurisdiction in the Versartis Territory. The Party not bringing an action under this Section 10.5.4.2 shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense. In addition, at the request and expense of the Party bringing such action, the other Party shall cooperate fully with the Party bringing such action, including by joining such action as a party plaintiff if required by Applicable Law for the enforcing Party to pursue such action. The Party bringing any such action shall have final decision making authority with respect to such action, subject to the provision of Section 10.5.5.

10.5.5 **Settlement** . Teijin shall not settle any claim, suit, or action that it brought under this Section 10.5 involving Versartis Patents without the prior written consent of Versartis, which consent shall not be unreasonably withheld, conditioned, or delayed, and subject to the Upstream Enforcement Rights. Versartis shall not settle any claim, suit, or action that it brought under this Section 10.5 involving Teijin Patents without the prior written consent of Teijin, which consent shall not be unreasonably withheld, conditioned, or delayed. Nothing in this

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ARTICLE X shall require Versartis to consent to any settlement that is reasonably anticipated by Versartis to have a materially adverse impact upon any Versartis Patent in the Versartis Territory, or to the commercialization, manufacture, use, importation, export ation, offer for sale, or sale of the Licensed Product or Drug Product or Finished Product in the Versartis Territory. Nothing in this ARTICLE X shall require Teijin to consent to any settlement that is reasonably anticipated by Teijin to have a materially adverse impact upon any Teijin Patent in the Territory, or to Develop, use, sell, offer for sale, have sold, import, and otherwise Commercialize the Licensed Product or Drug Product or Finished Product hereunder in the Territory or to Manufacture anywhere in the world for such Development, use, sale, or import anywhere in the Territory.

10.5.6 **Allocation of Proceeds** . Subject to the Upstream Enforcement Rights, if either Party recovers monetary damages from any Third Party in a suit or action brought under Section 10.5 or Section 10.8, whether such damages result from the infringement of Versartis Patents, Joint Patents, or Teijin Patents, such recovery shall be allocated first to the reimbursement of any expenses incurred by the Parties in such litigation (including, for this purpose, a reasonable allocation of expenses of outside counsel), and any remaining amounts shall be shared by the Parties with Teijin retaining [*] percent ([*]%) of such remaining amounts and Versartis retaining [*] percent ([*]%) of such remaining amounts.

10.6 **Infringement of Third Party Rights in the Territory** .

10.6.1 **Notice; Teijin First Right** . If the manufacture, sale, or use of a Licensed Product pursuant to this Agreement results in, or may result in, any claim, suit, or proceeding by a Third Party alleging patent infringement by Teijin (or its Affiliates or Sublicensees), Teijin will promptly notify Versartis thereof in writing. Subject to the provisions of Section 10.6.2, Teijin will have the first right, but not the obligation to defend and control the defense of any such claim, suit or proceeding at its own expense, using counsel of its own choice. Versartis may participate in any such claim, suit or proceeding with counsel of its choice at its own expense. If Teijin elects (in a written communication submitted to Versartis within a reasonable amount of time after notice of the alleged patent infringement) not to defend or control the defense of, or otherwise fails to initiate and maintain the defense of, any such claim, suit or proceeding, within such time periods so that Versartis is not prejudiced by any delays, Versartis may conduct and control the defense of any such claim, suit or proceeding at its own expense. Each Party will keep the other Party reasonably informed of all material developments in connection with any such claim, suit, or proceeding. Each Party agrees to provide the other Party with copies of all pleadings filed in such action and to allow the other Party reasonable opportunity to participate in the defense of the claims. If Teijin is controlling the defense of any such claim, suit or proceeding, Teijin agrees to provide at Versartis' expense English translations, or summaries thereof, of all pleadings, discovery-requests, and key documents filed with the court reasonably promptly.

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10.6.2 **Possible Claims in Versartis Territory** . In addition to the Teijin obligations set out in the preceding paragraph, and regardless of whether Versartis elects to participate as a Party in the claim, suit or proceeding, Teijin further agrees that, in the event the claim, suit or preceding under Section 10.6.1 is brought by a Third Party that is pursuing or has threatened in writing to the knowledge of Teijin to pursue similar claims outside the Territory against Versartis, its Affiliates, agents or marketing or development partners and such claim is related to any Licensed Compound, including any form or formulation thereof, Teijin shall: (i) provide to Versartis at Versartis' expense English translation drafts of all official papers or other statements (whether written or oral) prior to their submission to the court in the lawsuit, in sufficient time to allow Versartis to review, consider and substantively comment thereon; (ii) reasonably consider taking action to incorporate Versartis comments on all such official papers and statements, (iii) not take positions in its defense that are inconsistent or at odds with positions that Versartis is taking in defense, or anticipated defense, of related claims outside the Territory, to the extent such positions have been communicated to Teijin; (iv) allow Versartis the opportunity to participate in preparation of witnesses or other participants in the claim, suit or proceeding; (v) not settle any such claim, suit or proceeding without Versartis' prior consent, which consent shall not be unreasonably withheld or delayed, and (vi) enter into a reasonable and customary joint defense agreement with Versartis, upon request to do so by Versartis.

10.7 **Patent Marking** . Teijin (or its Affiliate, Sublicensee, or distributor) shall mark Licensed Products marketed and sold by Teijin (or its Affiliate, Sublicensee, or distributor) hereunder with appropriate patent numbers or indicia at Versartis' request; provided, however, that Teijin shall only be required to so mark such Licensed Products to the extent such markings or such notices would impact recoveries of damages or equitable remedies available under Applicable Law with respect to infringements of patents in the Territory.

10.8 **Patent Oppositions and Other Proceedings** .

10.8.1 **Challenges to Third-Party Patent Rights** . If either Party desires to bring an opposition, action for declaratory judgment, nullity action, invalidation action, interference, declaration for non-infringement, reexamination, or other attack upon the validity, title, or enforceability of a Patent owned or controlled by a Third Party and having one or more claims that covers Drug Product, Finished Product or the Licensed Product, or the manufacture, use, sale, offer for sale, or importation of Drug Product or Finished Product or the Licensed Product, in each case in the Territory, (except insofar as such action is a counterclaim to or defense of, or accompanies a defense of, a Third Party's claim or assertion of infringement under Section 10.6, in which case the provisions of Section 10.6 shall govern), such Party shall so notify the other Party and the Parties shall promptly confer to determine whether to bring such action or the manner in which to settle such action. Versartis shall have the exclusive right, but not the obligation, to bring at its own expense and in its sole control such action in the Versartis Territory and Teijin shall have the exclusive right, but not the obligation, to bring at its own expense and in its sole control such action in the Territory. If Teijin does not bring such an action in the Territory, within [*] days of notification thereof pursuant to this Section 10.8.1 (or earlier, if required by the nature of the proceeding), then Versartis shall have the right, but not the obligation, to bring, at Versartis' sole expense, such action. The Party not bringing an action

under this Section 10.8.1 shall be entitled to separate representation in such proceeding by counsel of its own choice and at its own expense, and shall cooperate fully with the Party bringing such action at the request and expense of the Party bringing such action. Any awards or amounts received in bringing any such action shall be allocated between the Parties as provided in Section 10.5.6.

10.8.2 **Parties' Patent Rights** . If a Versartis Patent, Teijin Patent, or Joint Patents becomes the subject of any proceeding commenced by a Third Party within the Territory in connection with an opposition, reexamination request, action for declaratory judgment, nullity action, invalidation action, interference, or other attack upon the validity, title, or enforceability thereof (except insofar as such action is a counterclaim to or defense of, or accompanies a defense of, an action for infringement against a Third Party under Section 10.5, in which case the provisions of Section 10.5 shall govern), then the Party responsible for filing, preparing, prosecuting, and maintaining such Patent as set forth in Section 10.3 shall control such defense, provided, however, that the costs associated with such defense shall be borne by the controlling Party. The controlling Party shall permit the non-controlling Party to participate in the proceeding to the extent permissible under Applicable Law, and to be represented by its own counsel in such proceeding, at the non-controlling Party's expense. If either Party decides that it does not wish to defend against such action, then the other Party shall have a backup right to assume defense of such Third-Party action at its own expense. Any awards or amounts received in defending any such Third-Party action shall be allocated between the Parties as provided in Section 10.5.6.

ARTICLE XI
CONFIDENTIALITY

11.1 **Nondisclosure** . Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, during the Term and for so long thereafter as Versartis continues to supply Licensed Product to Teijin, but no less than [*] years from the end of the Term, the receiving Party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Confidential Information of the other Party, and both Parties shall keep confidential and, subject to Sections 11.2, 11.3, and 11.4, shall not publish or otherwise disclose the terms of this Agreement . Notwithstanding the foregoing, a receiving Party's obligation of confidentiality and restriction on use with respect to the disclosing Party's Confidential Information identified as trade secrets, or typically held in the pharmaceutical industry as trade secrets such as applicable CMC Know-How and promotional and marketing information, shall continue perpetually for so long as such Confidential Information is unpublished by the disclosing Party and no provision of Section 1.18 (b), (c), or (d) applies to such Confidential Information. Each Party may use the other Party's Confidential Information solely to the extent required to accomplish the purposes of this Agreement, including exercising such Party's rights or performing its obligations under this Agreement. Each Party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but no less than reasonable care) to ensure that its employees, agents, consultants, contractors, and other representatives do not disclose or make any unauthorized use of the Confidential Information of the other Party. Each Party will promptly notify the other Party upon discovery of any unauthorized use or disclosure of the Confidential Information of the other Party.

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11.2 **Authorized Disclosure** . The receiving Party may disclose Confidential Information belonging to the disclosing Party only to the extent such disclosure is reasonably necessary in the following instances:

11.2.1 filing or prosecuting Patents as permitted by this Agreement;

11.2.2 filing Regulatory Filings in order to obtain or maintain Regulatory Approvals;

11.2.3 prosecuting or defending litigation, including responding to a subpoena in a Third Party litigation;

11.2.4 complying with Applicable Laws or regulations (including regulations promulgated by securities exchanges) or court or administrative orders;

11.2.5 to its Affiliates, sublicensees or prospective sublicensees, Third Party Partners, subcontractors or prospective subcontractors, payors, consultants, agents, and advisors on a "need-to-know" basis in order for the Receiving Party to exercise its rights or fulfill its obligations under this Agreement, each of whom prior to disclosure must be bound by obligations of confidentiality and restrictions on use of such Confidential Information that are no less restrictive than those set forth in this ARTICLE XI; provided, however, that, in each of the above situations, the Receiving Party shall remain responsible for any failure by any Third Party who receives Confidential Information pursuant to this Section 11.2 to treat such Confidential Information as required under this ARTICLE XI; or

11.2.6 to bona fide potential and actual investors, acquirors, merger partners, licensees, and other financial or commercial partners solely for the purpose of evaluating or carrying out an actual or potential investment, acquisition, or collaboration, in each case under written obligations of confidentiality and non-use at least as stringent as those herein.

11.2.7 Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to Sections 11.2.2 through 11.2.4, it will, except where impracticable, give at least [*] days' advance notice to the other Party of such disclosure, reasonably consider the comments of the other Party with respect to limiting such disclosure, and use efforts to secure confidential treatment of such Confidential Information at least as diligent as such Party would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the Parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder. Any information disclosed pursuant to Sections 11.2.2 through 11.2.4 shall remain the Confidential Information of the Disclosing Party and subject to the restrictions set forth in this Agreement, including the foregoing provisions of this ARTICLE XI.

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11.3 **Publications** .

11.3.1 Prior to public disclosure or submission for publication of a proposed publication describing the results of any scientific or clinical activity relating to, in the case of Teijin, a Licensed Product, or in the case of Versartis, Joint Development Work, the Japanese Ongoing Studies, or any Development activity under Sections 4.3 or 4.4, the Party disclosing or submitting such proposed publication (the " **Submitting Party** ") shall send the other party (the " **Responding Party** ") a copy of the proposed publication to be submitted and shall allow the Responding Party a reasonable time period (but no less than [*] days from the date of confirmed receipt) in which to determine whether the proposed publication contains subject matter for which patent protection should be sought (prior to publication of such proposed publication) for the purpose of protecting an invention, or whether the proposed publication contains the Confidential Information of the Responding Party. Following the expiration of the applicable time period for review, the Submitting Party shall be free to submit such proposed publication for publication or otherwise disclose to the public such scientific or clinical results, subject to the procedures set forth in Section 11.3.2.

11.3.2 If the Responding Party believes that the subject matter of the proposed publication or other disclosure contains Confidential Information or a patentable invention of the Responding Party, then prior to the expiration of the applicable time period for review, the Responding Party shall notify the Submitting Party in writing of its determination that such proposed publication or other disclosure, as applicable, contains such information or subject matter for which patent protection should be sought. Upon receipt of such written notice from the Responding Party, the Submitting Party shall delay public disclosure of such information or submission of the proposed publication for an additional period of [*] days (or such other time period mutually agreed by the Parties in writing) to permit preparation and filing of a patent application on the disclosed subject matter. The Submitting Party shall thereafter be free to publish or disclose such information, except that the Submitting Party may not disclose any Confidential Information of the Responding Party in violation of Section 11.1.

11.4 **Publicity** .

11.4.1 The Parties agree that the material terms of this Agreement are included within the Confidential Information of both Parties, subject to the special authorized disclosure provisions set forth below in this Section 11.4 and in Section 11.2. The Parties have agreed to make a joint public announcement in English of the execution of this Agreement on or after the Effective Date, as mutually agreed. Teijin shall be permitted to make a public announcement in Japanese of the execution of this Agreement substantially in the form and with the content of the English press release.

11.4.2 After release of such initial press release, if either Party desires to make a public announcement concerning the material terms of this Agreement, such Party shall give reasonable prior advance notice of the proposed text of such announcement to the other Party for its prior review and approval (except as otherwise provided herein), such approval not to be unreasonably withheld or delayed. A Party commenting on such a proposed press release shall

provide its comments, if any, within [*] Business Days after receiving the press release for review. Where required by Applicable Law or by the regulations of the applicable securities exchange upon which a Party may be listed, such Party shall have the right to make a press release announcing the achievement of each milestone under this Agreement as it is achieved, and the achievements of Regulatory Approvals in the Territory as they occur, subject only to the review procedure set forth in the preceding sentence. In relation to Teijin's review of such an announcement, Teijin may make specific, reasonable comments on such proposed press release within the prescribed time for commentary, but shall not withhold its consent to disclosure of the information that the relevant milestone has been achieved and triggered a payment hereunder. Neither Party shall be required to seek the permission of the other Party to repeat any information regarding the terms of this Agreement that has already been publicly disclosed by such Party, or by the other Party, in accordance with this Section 11.4.2, provided such information continues as of such time to be accurate.

11.4.3 The Parties acknowledge that Versartis may at some point in time be obligated to file a copy of this Agreement with the U.S. Securities and Exchange Commission (the " **SEC** ") or other applicable entity having regulatory authority over Versartis securities or the exchange thereof, as a material agreement of Versartis. Versartis shall be entitled to make such a required filing, provided that it requests confidential treatment of certain commercial terms and sensitive technical terms hereof to the extent such confidential treatment is reasonably available to Versartis, and to the extent consistent with the legal requirements governing redaction of information from material agreements that must be publicly filed. In the event of any such filing, Versartis will provide Teijin with a copy of the Agreement marked to show provisions for which Versartis intends to seek confidential treatment and shall reasonably consider and incorporate Teijin's comments thereon to the extent consistent with the legal requirements governing redaction of information from material agreements that must be publicly filed. Teijin will as promptly as practical provide any such comments. Teijin recognizes that U.S. laws and SEC policies and regulations to which Versartis is and may become subject to may require Versartis to publicly disclose certain terms of this Agreement that Teijin may prefer not be disclosed, and that Versartis is in all cases entitled hereunder to make such required disclosures to the extent necessary to comply with such U.S. laws and SEC policies and regulations.

ARTICLE XII
REPRESENTATIONS, WARRANTIES, & COVENANTS

12.1 **Mutual Representations and Warranties** . Each Party hereby represents and warrants to the other Party that as of the Effective Date:

12.1.1 **Corporate Existence and Power** . It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including, without limitation, the right to grant the licenses granted by it hereunder.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

12.1.2 **Authority and Binding Agreement** . As of the Effective Date, (i) it has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder; and (iii) this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

12.1.3 **No Conflict; Covenant** . It is not a party to any agreement that would materially prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under this Agreement. During the Term of this Agreement, each Party covenants that it will not enter into any contractually binding agreement which would in any way materially impair its ability to complete its obligations under this Agreement in a timely fashion.

12.1.4 **No Debarment** . In the course of the Development of Licensed Products, neither Party shall use, during the term of this Agreement, any employee or consultant who has been debarred by any Regulatory Authority, or, to the best of such Party's Knowledge, is the subject of debarment proceedings by a Regulatory Authority.

12.2 **Teijin's Representations and Warranties** . Teijin hereby represents and warrants to Versartis that as of the Effective Date Teijin has no Knowledge of any pending filing, complaint, matter, or action against or involving either Teijin or its Affiliates with any Regulatory Authority that could be reasonably anticipated to have a material adverse effect on its ability to obtain Regulatory Approvals for the Licensed Products in the Territory.

12.3 **Versartis' Representations and Warranties** . Versartis hereby represents and warrants to Teijin as of the Effective Date:

12.3.1 **Versartis Patent; Licensed Technology** . Versartis owns, or has an exclusive license to, the Versartis Patents listed on Schedule 1.135, and Schedule 1.135 is a complete list of all patents and patent applications owned or Controlled by Versartis as of the Effective Date which claim or cover Licensed Compounds, or the manufacture or use thereof in the Territory.

12.3.2 **Title; Encumbrances** . Versartis has sufficient legal and/or beneficial title, ownership or license, free and clear from any mortgages, pledges, liens, security interests, conditional and installment sale agreements, encumbrances, charges or claims of any kind, of the Licensed Technology to grant the licenses to Teijin as purported to be granted pursuant to this Agreement.

12.3.3 **No Conflict** . Versartis has not granted any assignment, license, covenant not to sue, or other similar interest or benefit, exclusive or otherwise, to any Third Party relating to any patent, know-how, or other proprietary right that conflicts with or limits the rights granted to Teijin hereunder or which falls within the scope of the licenses granted in ARTICLE II.

12.3.4 **Non-Infringement of Third Party's Intellectual Property Rights** . To Versartis' Knowledge, the import, sale, or use of the Lead Product in the Territory does not infringe any intellectual property rights of any third party existing as of the Effective Date.

12.3.5 **Non-Infringement of Licensed Technology by Third Parties.** To Versartis' Knowledge, Versartis is not aware of any activities by Third Parties that constitute infringement or misappropriation of the Licensed Technology within the Territory.

12.3.6 **No Claims of Third Party Rights** . Versartis has not received any written notice, claim, or demand from any person or entity asserting that the research, development, manufacture, use, and sale of the Licensed Compound or Drug Product or Finished Product infringes a patent of a Third Party in the Territory.

12.3.7 **No Action or Claim** . To Versartis' Knowledge, there are no actual, pending, alleged, or threatened adverse actions, suits, claims, interferences, or formal governmental investigations involving the Licensed Product, Licensed Compounds, or Licensed Technology by or against Versartis, any of its Affiliates, distributors, licensees, or contractors in or before any court, governmental entity or Regulatory Authority.

12.3.8 **Compliance** . To Versartis' Knowledge, Versartis, its Affiliates, distributors, licensees and contractors have performed in all material respects development work, including manufacturing, supply, packaging, and distribution of clinical supplies, in compliance with all Applicable Laws (including GMP); and there is no actual, pending, alleged or threatened adverse action of any Regulatory Authority or IRB, with respect to the Licensed Products, Licensed Compounds, or Licensed Technology.

12.3.9 **Regulatory Materials** . To Versartis' Knowledge, no Regulatory Authority has commenced or threatened to initiate any action or proceeding to refuse to file, reject, not approve, or withdraw any Regulatory Filings related to the Licensed Compound and/or Licensed Products, nor has Versartis received any notice to such effect.

12.3.10 **Third Party Agreements** . Schedule 12.3.10 contains a complete list of all agreements under which rights to any Licensed Technology are granted, licensed or otherwise provided to Versartis or its Affiliates as of the Effective Date (the " **In-License Agreements** "). All In-License Agreements are in full force and effect and no material breach has occurred thereunder (and Versartis and its Affiliates, licensees, and contractors have not received any notice of any such breach thereunder). Versartis represents and warrants that the provisions of this Agreement are consistent with the In-License Agreements.

12.4 **Teijin Covenants** .

12.4.1 Teijin will comply in all material respects with all Applicable Laws related to its Commercialization of the Licensed Products. Without limiting the generality of the foregoing, Teijin will not promote any of the Licensed Products in a manner that would conflict with Applicable Laws.

12.4.2 Teijin will conduct all Medical Affairs Activities in a manner consistent with Licensed Product labeling, including all package inserts for a Licensed Product , except to the extent otherwise required by Applicable Laws, and will conduct all Medical Affairs Activities in accordance with Applicable Laws.

12.4.3 Teijin will Commercialize the Licensed Products solely within the Territory for use in the Field pursuant to the authority, rights, and licenses granted to Teijin under this Agreement. Teijin agrees and acknowledges that it has not been granted any rights to any Licensed Technology or Licensed Products under this Agreement outside of the Territory , and consequently Teijin agrees that during the Term it will not (i) Commercialize any Licensed Product outside of the Territory or within the Territory for sale by or for Teijin outside of the Territory, or (ii) provide any Licensed Product to any Third Party or Affiliate if Teijin has actual knowledge or reasonably believes that such Third Party or Affiliate, either directly or indirectly, is selling, or intends to sell such Licensed Product outside the Territory.

12.5 **Versartis Covenants** .

12.5.1 Versartis will comply in all material respects with all Applicable Laws related to Development (including clinical and non-clinical studies) of the Licensed Products.

12.5.2 Versartis will not, during the Term, without the prior written approval of Teijin, (a) amend any provision of an In-License Agreement that would adversely impact Teijin's rights under this Agreement, or (b) assign (except an assignment to a party to which this Agreement has been assigned as permitted under Section 16.6 or to any Affiliate), in whole or in part, any of the In-License Agreements in any manner that would adversely impact Teijin's rights under this Agreement, in each case, without the prior written consent of Teijin. For the purposes of clarity, Versartis (and not Teijin) shall be responsible for all of the financial and other obligations of Versartis (and/or any of its Affiliates) under any of the In-License Agreements, including any and all financial obligations thereunder with respect to Net Sales of Teijin or its Affiliates or Sublicensees.

12.6 **Limitation on Warranties; No Implied Warranties** . EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EACH PARTY MAKES NO AND EXPRESSLY DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE LICENSED PRODUCTS, LICENSED TECHNOLOGY, VERSARTIS PATENTS, OR ANY OTHER SUBJECT MATTER OF THIS AGREEMENT, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS. EXCEPT TO THE EXTENT EXPRESSLY PROVIDED FOR HEREIN, NOTHING IN THIS AGREEMENT WILL BE CONSTRUED AS A REPRESENTATION OR WARRANTY BY VERSARTIS THAT THE VERSARTIS PATENTS OR THE LICENSED TECHNOLOGY IS NOT INFRINGED BY ANY THIRD PARTY OR THAT THE PRACTICE OF SUCH RIGHTS DOES NOT INFRINGE ANY PUBLISHED INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

ARTICLE XIII
INDEMNIFICATION AND INSURANCE

13.1 **Indemnification by Versartis** . Except for any Product Liability Claims, which are addressed in Section 13.4, Versartis shall defend, indemnify, and hold Teijin and its Affiliates, and Teijin's and its Affiliates' officers, directors, employees, and agents (the " **Teijin Indemnitees** ") harmless from and against any and all Third Party claims, suits, proceedings, damages, expenses (including court costs and reasonable attorneys' fees and expenses), and recoveries (collectively, " **Claims** ") to the extent that such Claims arise out of, are based on, or result from (i) the development, manufacture, storage, handling, use, promotion, sale, offer for sale, and importation of Licensed Products by Versartis or its Affiliates, contract manufacturers, distributors, or licensees (other than Teijin) (the " **Versartis Group** ") (unless and to the extent such manufacture activities are covered by separate indemnification pursuant to the Supply Agreement, which in such event will control, or covered by Section 13.4 below); (ii) the manufacture, storage, handling, sale, export, or supply to Teijin of the Drug Product or Finished Product in accordance with the terms and conditions of this Agreement by the Versartis Group (unless and to the extent such manufacture activities are covered by separate indemnification pursuant to the Commercial Supply Agreement, which in such event will control); (iii) a breach of any of Versartis' representations, warranties, and obligations under this Agreement; or(iv) the willful misconduct or negligent acts of Versartis, its Affiliates, or the officers, directors, employees, or agents of Versartis or its Affiliates. The foregoing indemnity obligation shall not apply to the extent that the Teijin Indemnitees fail to comply with the indemnification procedures set forth in Section 13.3 and Versartis' defense of the relevant Claims is prejudiced by such failure, or to the extent that any Claim primarily arises from, is based on, or results from (a) in the case of clause (i) or clause (iv) of this Section 13.1, the development, manufacture, storage, handling, use, promotion, sale, offer for sale, and importation of the Drug Product, Finished Product or Licensed Products by Teijin or its Affiliates, sublicensees, or distributors; (b) a breach of any of Teijin's representations, warranties, and obligations under this Agreement; or (c) the willful misconduct or negligent acts of Teijin or its Affiliates, or the officers, directors, employees, or agents of Teijin or its Affiliates.

13.2 **Indemnification by Teijin** . Except for any Product Liability Claims, which are addressed in Section 13.4, Teijin shall defend, indemnify, and hold Versartis, its Affiliates and Versartis' and its Affiliates' officers, directors, employees, and agents (the " **Versartis Indemnitees** ") harmless from and against any and all Claims to the extent that such Claims arise out of, are based on, or result from (i) the development, manufacture, storage, handling, use, promotion, sale, offer for sale, and importation of the Drug Product, Finished Product or Licensed Products by Teijin or its Affiliates, or its or their sublicensees, contractors, or distributors (the " **Teijin Group** "); (ii) a material breach of any of Teijin's representations, warranties, and obligations under this Agreement; or (iii) the willful misconduct or negligent acts of Teijin or its Affiliates, or the officers, directors, employees, or agents of Teijin or its Affiliates. The foregoing indemnity obligation shall not apply to the extent that the Versartis Indemnitees fail to comply with the indemnification procedures set forth in Section 13.3 and Teijin's defense of the relevant Claims is prejudiced by such failure, or to the extent that any Claim primarily arises from, is based on, or results from (a) the development, manufacture,

storage, handling, use, promotion, sale, offer for sale, and importation of Licensed Products by Versartis , its licensees (other than Teijin) , Affiliates, or distributors; (b) a breach of any of Versartis' representations, warranties, and obligations under this Agreement; or (c) the willful misconduct or negligent acts of Versartis, its Affiliates, or the officers, directors, employees, or agents of Versartis or its Affiliates.

13.3 **Indemnification Procedures** . The Party claiming indemnity under this ARTICLE XIII (the " **Indemnified Party** ") shall give written notice to the Party from whom indemnity is being sought (the " **Indemnifying Party** ") promptly after learning of such Claim. The Indemnified Party shall provide the Indemnifying Party with reasonable assistance, at the Indemnifying Party's expense, in connection with the defense of the claim for which indemnity is being sought. The Indemnified Party may participate in and monitor such defense with counsel of its own choosing at its sole expense; provided, however, that the Indemnifying Party shall have the right to assume and conduct the defense of the claim with counsel of its choice. The Indemnifying Party shall not settle any claim without the prior written consent of the Indemnified Party, not to be unreasonably withheld, conditioned, or delayed, unless the settlement involves only the payment of money, and no admission of wrong-doing or fault by the other Party. So long as the Indemnifying Party is actively defending the claim in good faith, the Indemnified Party shall not settle any such claim without the prior written consent of the Indemnifying Party. If the Indemnifying Party does not assume and conduct the defense of the claim as provided above, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to the claim in any manner the Indemnified Party may deem reasonably appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (ii) the Indemnifying Party will remain responsible to indemnify the Indemnified Party as provided in this ARTICLE XIII.

13.4 **Third Party Product Liability Claims** . With respect to any and all Third Party claims, suits, proceedings damages, expenses (including court costs and reasonable attorneys' fees and expenses), and recoveries based on personal injury or death in the Territory and arising from the development, use, handling, promotion, manufacture, storage, distribution, sale, offer for sale or importation of the Drug Product, Finished Product or Licensed Products in or for the Territory (collectively, " **Product Liability Claims** "), the Parties agree to apportion liability as follows:

13.4.1 Where such Product Liability Claim is demonstrated to be based solely on the negligence of one or more members of the Versartis Group, and not on the negligence of any member of the Teijin Group, Versartis shall be responsible for, and shall indemnify Teijin Indemnitees with respect to, [*] percent ([*]%) of such Product Liability Claim.

13.4.2 Where such Product Liability Claim is demonstrated to be based solely on the negligence of one or more members of the Teijin Group, and not on the negligence of any member of the Versartis Group, Teijin shall be responsible for, and shall indemnify Versartis Indemnitees with respect to, [*] percent ([*]%) of such Product Liability Claim.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

13.4.3 Where such Product Liability Claim is demonstrated to be based both (x) on the negligence of one or more members of the Versartis Group, including any Latent Defect, and also (y) on the negligence of any member of the Teijin Group (such as for example, failure to properly test and release Finished Product), Versartis shall be responsible for, and shall indemnify Teijin Indemnitees with respect to, [*] percent ([*] %) of such Product Liability Claim, and Teijin shall be responsible for and shall indemnify Versartis Indemnitees with respect to, [*] percent ([*] %) of such Product Liability Claim.

13.4.4 Where such Product Liability Claim is (x) not demonstrated to be based upon or arise from the negligence of either (i) any member of the Versartis Group or (ii) any member of the Teijin Group, but (y) demonstrated instead to be based on a design defect or inherent defect in the Finished Product, Drug Product or Licensed Product, Versartis shall be responsible for, and shall indemnify Teijin Indemnitees with respect to, [*] percent ([*]%) of such Product Liability Claim, and Teijin shall be responsible for and shall indemnify Versartis Indemnitees with respect to, [*] percent ([*]%) of such Product Liability Claim.

13.4.5 Where such Product Liability Claim is (x) not demonstrated to be based upon or to arise from the negligence of either (i) any member of the Versartis Group or (ii) any member of the Teijin Group, and (y) not demonstrated to be based upon any design defect or inherent defect in the Finished Product, Drug Product or Licensed Product, Versartis shall be responsible for, and shall indemnify Teijin with respect to, [*] percent ([*]%) of such Product Liability Claim, and Teijin shall be responsible for and shall indemnify Versartis with respect to, [*] percent ([*]%) of such Product Liability Claim.

13.4.6 Any claim of indemnification under this Section 13.4 shall be brought in accordance with the procedures set forth in Section 13.3. The foregoing indemnity obligation of Versartis or Teijin, as the case may be, shall not apply to the extent that the Versartis Indemnitees or the Teijin Indemnitees fail to comply with the indemnification procedures set forth in Section 13.3 and Teijin's defense or Versartis' defense, as the case may be, of the relevant Product Liability Claim is prejudiced by such failure.

13.5 **Non-Exclusive Remedy** . Neither Party shall be obligated to claim indemnification from, or tender the defense of any Claim under this ARTICLE XIII to, the other Party, and such injured Party retains all rights to defend itself against any such Claim and pursue in turn any claims against the other Party it may have in law or equity related to or arising from such Claim.

13.6 **Limitation of Liability** . NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 13.6 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 13.1 OR 13.2, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN ARTICLE XI.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

13.7 **Insurance** . Each Party shall procure and maintain insurance, including product liability insurance, adequate to cover its obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated at all times during which any Licensed Product is being clinically tested in human subjects or commercially distributed or sold by such Party . It is understood that such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this ARTICLE XIII. Each Party shall provide the other Party with written evidence of such insurance upon request. Each Party shall provide the other Party with written notice at least [*] days prior to the cancellation, non -renewal, or material change in such insurance or self -insurance which materially adversely affects the rights of the other Party hereunder.

ARTICLE XIV
TERM AND TERMINATION

14.1 **Term** . This Agreement shall commence on the Effective Date and, unless terminated earlier as provided in this ARTICLE XIV or by mutual written agreement of the Parties, shall continue until the expiration of the Transfer Price Term in the Territory, unless otherwise extended by mutual written agreement of the Parties (the " **Initial Term** ") , and shall be automatically extended for up to three (3), three (3)-year terms (each, an " **Extended Term** ," and collectively, the Initial Term and any and all Extended Terms, the " **Term** "), unless Teijin provides to Versartis written notice of termination prior to the end of the then-current Term . During the Term, but upon the expiration of the Transfer Price Term, (i) to the extent Teijin is at such time continuing to purchase Finished Product from Versartis under the Commercial Supply Agreement or some other written agreement, the Transfer Price to be paid by Teijin to Versartis for the commercial supply of Finished Product under ARTICLE IX shall be as set forth in Section 7.4.7, (ii) the license granted to Teijin in Section 2.1 shall be deemed to be perpetual and fully paid-up with respect to such Licensed Product in the Territory, but thereafter shall be on a non-exclusive basis; and (iii) the license granted to Teijin in Section 2.9 shall be deemed to extend for so long as Teijin is selling Licensed Products in the Territory and provided that Teijin shall pay Versartis a royalty on Net Sales of the Licensed Products in the Territory equal to [*] percent ([*]%) of such Net Sales, on a Fiscal Quarter basis.

14.2 **Early Termination** .

14.2.1 **Termination for Convenience** . Teijin shall have the right to terminate this Agreement in its entirety for any or no reason upon [*] written notice to Versartis prior to First Commercial Sale, and upon [*] written notice to Versartis if after First Commercial Sale.

14.2.2 **Effect of Unilateral Termination** . If Teijin terminates this Agreement pursuant to Section 14.2.1, or if Versartis terminates this Agreement as provided in Section 2.7.2:

14.2.2.1 Teijin shall not, during such [*] or [*] notice period, take any action that could reasonably be expected to have a material adverse impact on the further Development and Commercialization of the Licensed Product; provided, however, that Teijin shall have the right to take any actions it deems reasonably necessary or appropriate to avoid any human health or safety problems;

14.2.2.2 Teijin shall be required to perform any outstanding obligations of Teijin that existed or accrued prior to the effective date of termination;

14.2.2.3 the Commercial Supply Agreement, if entered into as of such time, shall terminate, and Teijin shall be responsible for any reasonable and non-cancelable costs incurred by Versartis prior to the effective date of termination in connection with its supply of Finished Product to Teijin under ARTICLE IX, and the Commercial Supply Agreement if then in effect, subject to Versartis' reasonable efforts to mitigate such costs by selling the Licensed Products on reasonable terms or using such Licensed Products itself;

14.2.2.4 Teijin shall pay any Transfer Price payments due under Section 7.4 to the extent not already paid; and

14.2.2.5 the JSC shall coordinate the wind-down of Teijin's efforts under this Agreement and the provisions of Section 14.5 shall apply.

14.3 **Termination for Breach** . Versartis shall have the right to terminate this Agreement upon written notice to Teijin if Teijin, after receiving written notice from Versartis identifying such material breach (including any breach of Teijin's obligations under Section 2.7), by Teijin, fails to cure such breach within [*] days from the date of such notice (or within [*] days' notice in the event such breach is solely based upon Teijin's failure to pay any amounts due Versartis hereunder). Teijin shall have the right to terminate this Agreement upon written notice to Versartis if Versartis, after receiving written notice identifying a material breach by Versartis of its obligations under this Agreement, fails to cure such breach within [*] days from the date of such notice. Any termination of this Agreement by Versartis shall also result in termination of the Supply Agreement.

14.4 **Termination for Bankruptcy** . Each Party shall have the right to terminate this Agreement immediately in its entirety upon written notice to the other Party if such other Party makes a general assignment for the benefit of creditors, files an insolvency petition in bankruptcy, petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets, commences under the laws of any jurisdiction any proceeding involving its insolvency, bankruptcy, reorganization, adjustment of debt, dissolution, liquidation or any other similar proceeding for the release of financially distressed debtors or becomes a party to any proceeding or action of the type described above and such proceeding is not dismissed within [*] days after the commencement thereof. In the event such a situation is reasonably anticipated by a Party to occur (the " **Anticipating Party** "), it shall notify the other Party so as to allow the other Party to take necessary or appropriate actions to protect its interests under this Agreement, including the negotiation of reasonable arrangements for continuation of supply of Finished Product or Drug Product, if the Anticipating Party is Versartis, to minimize the impact of such situation on Teijin, all to the extent allowed under Applicable Laws.

14.5 **Versartis Rights upon Termination of the Agreement** . Upon the early termination of this Agreement by Teijin under Section 14.2.1, or by Versartis under Section 14.3 due to Teijin's material uncured breach, the following shall apply (in addition to any other rights and obligations under Section 14.2 or Section 14.3 or otherwise under this Agreement with respect to such termination):

14.5.1 **Regulatory Materials** . To the extent permitted by applicable Law, Teijin shall transfer and assign to Versartis all Regulatory Filings and Regulatory Approvals for the Licensed Products in the Territory, free and clear of any liens or encumbrances.

14.5.2 **Teijin License** . Teijin hereby grants to Versartis, effective only in event of such termination, an exclusive, royalty-free license, with the right to grant multiple tiers of sublicenses, under the Teijin Technology and any information, including Patents and Know-How that had been Controlled by Teijin as of the Effective Date, if necessary, to Develop, make, have made, use, sell, offer for sale, have sold, import, and otherwise Commercialize Drug Product, Finished Product and any Licensed Products in the Territory, and to Manufacture in the Territory, which license shall be effective as of the date of such termination. In addition, for clarity, the license granted to Versartis under Section 2.5 shall survive any termination or expiration of this Agreement.

14.5.3 **Transition Assistance** . Teijin shall provide such assistance, at Versartis' cost, as may be reasonably necessary to transfer or transition over a reasonable period of time to Versartis all Teijin Know-How, or then-existing commercial contractual arrangements (if permitted by the terms of such contracts), that is, or are, necessary or useful for Versartis to commence or continue Developing, conducting Finished Manufacturing of, or Commercializing Licensed Products worldwide, to the extent Teijin is then performing or having performed such activities, including without limitation transferring, upon request of Versartis, any agreements or arrangements with Third Party suppliers or vendors to supply or sell Licensed Products in the Territory. To the extent that any contract between Teijin and a Third Party for the supply of Drug Product or Finished Product for the Territory is not assignable to Versartis, then Teijin shall reasonably cooperate with Versartis, at Versartis' cost, to arrange to continue to obtain such supply from such entity.

14.5.4 **Remaining Inventories** . Versartis shall have the right to purchase from Teijin all of the inventory of Drug Product or Finished Product held by Teijin and actually purchased from Versartis, as of the effective date of termination or expiration of this Agreement at a price equal to [*]. Versartis shall notify Teijin whether Versartis elects to exercise such right within [*] days after receiving notice from Teijin reporting such inventory as of the date of termination or expiration of the Agreement. If Versartis does not exercise such right, then subject to ARTICLE VII hereof, Teijin shall have the right to sell in the Territory any such remaining inventory over a period of no greater than [*] months after the effective date of termination of this Agreement.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

14.6 **Rights in Bankruptcy** . All rights and licenses granted under or pursuant to this Agreement by Versartis are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that Teijin, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against Versartis under the U.S. Bankruptcy Code, Teijin shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in Teijin's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon Teijin's written request therefor, unless Versartis elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under clause (a), following the rejection of this Agreement by Versartis upon written request therefor by Teijin.

14.7 **Survival** . The following provisions shall survive any expiration or termination of this Agreement: Articles I (Definitions), VIII (Records and Reports), XI (Confidentiality) XIII (Indemnification and Insurance), XV (Dispute Resolution), and XVI (Other Provisions) and Sections 2.6 (No Implied License), 2.9 (Trademark Licenses, to the extent consistent with Section 14.1), 4.15 (Ownership of Data), 4.17 (Records, Reports and Information), 5.4 (Teijin Regulatory Filings), 5.5 (Safety; Adverse Event Reporting), 7.4.4 (Actual Price and True Up), 10.1 (Ownership of Inventions), 14.2, 14.5, and 14.6 (Effects of Termination, in each case to the extent applicable), and 14.7 (Survival).

ARTICLE XV
DISPUTE RESOLUTION

15.1 **Disputes** . The Parties recognize that disputes as to certain matters may from time to time arise during the Term which relate to either Party's rights and/or obligations hereunder. It is the Parties' objective to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this ARTICLE XV to resolve any controversy or claim arising out of, relating to, or in connection with any provision of this Agreement if and when a dispute arises under this Agreement.

15.2 **Arising Between the Parties** . With respect to all disputes arising between the Parties, including, without limitation, any alleged failure to perform, or breach, of this Agreement, or any issue relating to the interpretation or application of this Agreement, if the Parties are unable to resolve such dispute within [*] days after such dispute is first identified by either Party in writing to the other Party, the Parties shall refer such dispute to the Executive Officers for attempted resolution by good faith negotiations within [*] days after such notice is received.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

15.3 **Binding Arbitration** . If the Executive Officers are not able to resolve such dispute referred to them under Section 15.2 within such [*] day period, such dispute shall be resolved through binding arbitration, which arbitration may be initiated by either Party at any time after the conclusion of such period, on the following basis:

15.3.1 The place of arbitration shall be San Francisco, California , USA.

15.3.2 The arbitration shall be made in accordance with the current Rules of Arbitration of International Chamber of Commerce (ICC).

15.3.3 Judgment upon the award rendered by such arbitrator shall be binding on the Parties and may be entered by any court or forum having jurisdiction.

15.3.4 Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Further, either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of such Party pending the arbitration award.

15.3.5 The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages.

15.3.6 Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' and any administrative fees of arbitration.

15.3.7 Except to the extent necessary to confirm an award or as may be required by Applicable Laws, neither Party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties.

15.3.8 In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy, or claim would be barred by the applicable statute of limitations.

15.4 **Patent and Trademark Dispute Resolution** . Any dispute, controversy, or claim relating to the scope, validity, enforceability, or infringement of any patent rights covering the manufacture, use, or sale of any Licensed Product or of any trademark rights relating to any Licensed Product shall be submitted to a court of competent jurisdiction in the country or jurisdiction in which such patent or trademark rights were granted or arose.

15.5 **Injunctive Relief** . Nothing herein may prevent either Party from seeking preliminary injunction or temporary restraint order in order to prevent any Confidential Information is disclosed without appropriate authorization under this Agreement.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

ARTICLE XVI
OTHER PROVISIONS

16.1 **Governing Law** . This Agreement and all disputes arising out of or related to this Agreement or any breach hereof shall be governed by, and construed and enforced in accordance with, the laws of the State of California , United States, without reference to its conflicts of law principles.

16.2 **Standstill** .

16.2.1 Teijin agrees that upon the Effective Date and for a period lasting until the later to occur of (i) the [*] anniversary of the First Commercial Sale in the Territory, or (ii) the [*] anniversary of the Effective Date, neither Teijin nor any of its Affiliates shall, in any manner, directly or indirectly, without the prior written consent or invitation of Versartis or its Board of Directors:

16.2.1.1 make, effect, initiate, cause, or participate in any acquisition of beneficial ownership of any voting securities of Versartis or any voting securities of any subsidiary of Versartis, if the effect of such acquisition would be to entitle Teijin to cast directly or indirectly more than [*] percent ([*]%) of the voting power in any election of directors of Versartis. For purposes of the [*] percent ([*]%) calculation under this Section 16.2.1.1, all such voting securities, rights, or options beneficially owned by Teijin (including through Affiliates or others) shall be treated on an as-exercised and as-converted basis, but such securities, rights, or options beneficially owned by others shall not be so treated;

16.2.1.2 make, effect, initiate, cause, or participate in any acquisition of any material assets of Versartis or any material assets of any subsidiary of Versartis that would place Versartis or Teijin under a legal obligation to make a public disclosure of such activity;

16.2.1.3 engage or become a participant in any "solicitation" of (i) "proxies" (as such terms are defined in Regulation 14A under the Exchange Act) or (ii) consents to vote any Versartis voting securities;

16.2.1.4 form, join, or participate in a "group" (as defined in the Exchange Act **)** for the purpose of taking any action under Sections 16.2.1.1 through 16.2.1.3;

16.2.1.5 agree or offer to take, or encourage, or propose (publicly or otherwise) the taking of any action referred to in Sections 16.2.1.1 through 16.2.1.4;

16.2.1.6 assist, induce or encourage any other person to take any action of the type referred to in Sections 16.2.1.1 through 16.2.1.5;

16.2.1.7 enter into any discussions, negotiations, arrangement, or agreement with any other person relating to any of the foregoing;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

16.2.2 Nothing in this Section 16.2 shall preclude Teijin from making proposals on a confidential basis, to Versartis or its Board of Directors, or from seeking a waiver from Versartis of any provision set forth in this Section 16.2, on a confidential basis, and provided such proposal or waiver is not designed to, nor could reasonably be required to, result in public disclosure of such proposal or waiver by either Teijin or Versartis.

16.2.3 The prohibitions set forth in the foregoing Section 16.2.1 (collectively the " **Standstill Provisions** ") shall not apply to (i) any investment in any securities of Versartis or its subsidiaries by or on behalf of any independently managed pension plan or employee benefit plan or trust, including without limitation (a) any direct or indirect interests in portfolio securities held by an investment company registered under the U.S. Investment Company Act of 1940, as amended, or (b) interests in securities composing part of a mutual fund or broad based, publicly traded market basket or index of stocks approved for such a plan or trust in which such plan or trust invests; or (ii) securities of Versartis or any of its subsidiaries held by a person acquired by Teijin (or any of Teijin's Affiliates) on the date such person first entered into an agreement to be acquired by Teijin (or such Affiliate) or acquired after such person was acquired by Teijin (or such Affiliate) pursuant to an agreement requiring (but only to the extent requiring) such person to acquire such securities, which agreement was in effect on the date such person first entered into an agreement to be acquired by Teijin (or such Affiliate), or (iii) any assets or securities of Versartis, as debtor, that are acquired in a transaction subject to the approval of the U.S. Bankruptcy Court pursuant to proceedings under the U.S. Bankruptcy Code.

16.2.4 Upon the occurrence of a Trigger Event (as defined below) with respect to Versartis, Teijin shall immediately thereafter cease to be bound by the Standstill Provisions. For purposes of this Agreement, (i) a " **Trigger Event** " shall occur with respect to Versartis if (a) Versartis shall have entered into, or shall have publicly announced its intention to enter into, an agreement or an agreement in principle with a Third Party with respect to an Acquisition (as defined below); or (b) any person or group (as defined in Section 13(d)(3) of the Exchange Act) shall have acquired or agreed or caused to be acquired, or commenced or announced an intention to commence a tender offer or an exchange offer to acquire, ownership (including, without limitation, beneficial ownership as defined in Rule 13d-3 under the Exchange Act) of at least [*] percent ([*]%) of the then outstanding voting securities issued by Versartis or any rights or options to acquire such ownership, including from a Third Party which is approved by Versartis' Board of Directors; or (c) any person or group shall have made a bona fide offer or proposal which is made public and which is approved by Versartis' Board of Directors and which, if effected would result in an Acquisition of Versartis; and (ii) " **Acquisition** " means, with respect to Versartis (x) a Business Combination, unless, following such Business Combination all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding voting securities of Versartis immediately prior to such Business Combination beneficially own, directly or indirectly, more than [*] percent ([*]%) of the then-outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns Versartis or all or substantially all of Versartis' assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of

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Versartis; or (z) the acquisition, directly or indirectly, by any person or group of beneficial ownership of a majority of the then outstanding voting securities of Versartis. For purposes of this Section 16.2, " **Business Combination** " means an acquisition, merger, reorganization, consolidation, or other business combination involving Versartis or any of its subsidiaries or material assets, or a disposition of all or substantially all of the assets of Versartis or any of its subsidiaries.

16.3 **Performance Through Affiliates** . Each Party may discharge any obligation and exercise any right hereunder through any of its Affiliates (without an assignment of this Agreement); provided that with respect to Teijin, Section 2.2 shall apply with respect to Teijin's exercise of any of its licensed rights hereunder.

16.4 **Non-Solicitation of Employees** . During the Term, neither Party nor its Affiliates shall, directly or through its representatives or agents, solicit for employment or hire any officer, director, or employee of the other Party or its Affiliates with whom it has had contact in connection with, or who otherwise is known by it to participate in, the subject matter of this Agreement or the development of a Licensed Compound or a Licensed Product; provided, however, a Party shall not be prohibited from soliciting and hiring through general public advertisement or other solicitation that is not directed toward the employees of the other Party, and a Party may hire any former employee of the other Party as long as the discussions with the former employee are initiated after termination of employment by the other Party.

16.5 **Force Majeure** . Both Parties will be excused from the performance of their obligations under this Agreement, other than the obligation to make monetary payments, and neither Party will be held liable or responsible to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement, to the extent that such performance is prevented by force majeure and the nonperforming Party promptly provides Notice thereof to the other Party. Such excuse will be continued so long as the condition constituting a force majeure event continues and the nonperforming Party uses reasonable efforts to remove the condition. For purposes of this Agreement, a force majeure event will include conditions beyond the reasonable control and without the fault of a Party, such as an act of God, voluntary or involuntary compliance with any regulation, law, or order of any government, war, an act of terrorism, civil commotion, labor strike or lock-out, epidemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm, or like catastrophe, inability to procure necessary raw materials in a commercially reasonable manner or default of suppliers or sub-contractors; provided, however, the payment of invoices due and owing hereunder may not be delayed by the payor because of a force majeure affecting the payor.

16.6 **Assignment** . Neither this Agreement nor any obligation of a Party hereunder may be assigned by either Party without the prior written consent of the other Party ; provided, however, that either Party may assign this Agreement in its entirety without such consent to (i) any of its Affiliates, or (ii) any purchaser of all, or substantially all, of its assets to which this Agreement relates, or (iii) any successor corporation resulting from any merger, consolidation, share exchange, or other similar transaction provided that any such successor corporation shall

assume all obligations of its assignor under this Agreement and provided further that either Party may assign or sell its rights to receive any amounts due hereunder. This Agreement will inure to the benefit of Teijin and Versartis and their respective successors and permitted assigns. Any assignment of this Agreement that is not made in accordance with this Section 16.6 shall be null and void and of no legal force or effect.

16.7 **Severability** . In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby. The Parties will in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal, and enforceable provision(s) that implement the purposes of this Agreement.

16.8 **Notices** . Any notice to be given under this Agreement must be in writing and delivered either in person, or by (i) air mail (postage prepaid) requiring return receipt, (ii) overnight courier, or (iii) facsimile confirmed thereafter by any of the foregoing, to the Party to be notified at its address(es) given below, or at any address such Party may designate by prior written notice to the other Party in accordance with this Section 16.8. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if air mailed, five (5) days after the date of postmark; (c) if delivered by overnight courier, the next day the overnight courier regularly makes deliveries or (d) if sent by facsimile, the date of confirmation of receipt if during the recipient's normal business hours, otherwise the next business day.

If to Versartis US, notices must be addressed to:

Versartis, Inc.
4200 Bohannon Drive #250
Menlo Park, CA 94025
Attention: Legal Department
Tel: [*]
Fax: [*]

If to Versartis GmbH, notices must be addressed to:

Versartis GmbH.
Mühlenberg 7
4052 Basel
Switzerland
Attention: Managing Director
Tel: [*]
Fax: [*]

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With a copy to (which shall not constitute notice):

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
Attention: Barbara A. Kosacz
Tel: 650-843-5000
Fax: 650-849-7400

If to Teijin, notices must be addressed to:

Teijin Pharma Limited
Kasumigaseki Common Gate West Tower 2-1, Kasumigaseki 3-chome, Chiyoda-ku Tokyo 100-8585, Japan
Attention: General Manager, Business Development Department
Tel: [*]
Fax: [*]

16.9 **Entire Agreement; Amendments** . This Agreement, including the schedules, contains the entire understanding of the Parties with respect to the subject matter herein. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written, or otherwise, concerning any and all matters contained herein. Except as expressly set forth herein, this Agreement may be amended or modified only by a written instrument duly executed by both Parties.

16.10 **Relationship of the Parties** . It is expressly agreed that Versartis and Teijin are independent contractors and that the relationship between the two Parties will not constitute a partnership, joint venture, or agency. Neither Versartis nor Teijin will have the authority to make any statements, representations, or commitments of any kind, or to take any action, which will be binding on the other Party, without the prior written consent of the other Party. Nothing contained in this Agreement shall be deemed to make any member of the JSC or any subcommittee (or any other committees or working groups) a partner, agent, or legal representative of the other Party, or to create any fiduciary relationship for any purpose whatsoever. Except as may be explicitly provided this Agreement, no member of the JSC, any subcommittee (or any other committee or working group) will have any authority to act for, or to assume any obligation or responsibility on behalf of, any other member of (or any other committee or working group) of the other Party.

16.11 **Waiver** . The waiver by either Party of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise. Any waiver by a Party of a particular term or condition will be effective only if set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition.

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16.12 **Third Party Beneficiaries** . Except as otherwise expressly provided in this Agreement, nothing herein expressed or implied is intended or will be construed to confer upon or to give to any Third Party any rights or remedies by reason of this Agreement. Except as otherwise expressly provided in this Agreement, there are no intended Third Party beneficiaries under or by reason of this Agreement.

16.13 **Further Assurances** . Upon the other Party's request, each Party agrees to execute, acknowledge, and deliver such further instruments, and to do all such other acts, as may be reasonably agreed by the Parties as necessary or appropriate to carry out the purposes and intent of this Agreement.

16.14 **Counterparts** . This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered electronically or by facsimile and upon such delivery such electronic or facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other Party.

16.15 **Interpretation** . The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. Unless otherwise specified, references in this Agreement to any Article shall include all Sections, subsections, and paragraphs in such Article, references to any Section shall include all subsections and paragraphs in such Section, and references in this Agreement to any subsection shall include all paragraphs in such subsection. The word "including" and similar words means including without limitation. The word "or" means "and/or" unless the context dictates otherwise because the subject of the conjunction are mutually exclusive. The words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision. All references to days in this Agreement mean calendar days, unless otherwise specified. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral, or other communications between the Parties regarding this Agreement shall be in the English language.

{Signature Page Follows}

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IN WITNESS WHEREOF , the Parties have executed this Exclusive License and Supply Agreement to be effective as of the Effective Date.

VERSARTIS GmbH

By: _____

Name:Paul Westberg

Title: Managing Director

TEIJIN LIMITIED

By: _____

Name:Jun Suzuki, Ph.D.

Title: President and CEO

VERSARTIS, INC.

By: _____

Name: Jay Shepard

Title: President and CEO

Schedule 1.135: Versartis Patents

[*]

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SCHEDULE 4.2: EXISTING STUDIES

Study No.	Study Name/Description
13VR3	PGHD extension study in the US, Europe and Canada
J14VR5	Japan PGHD Phase 2/3 study [*]
J15VR6	Japan PGHD extension study
14VR4	VELOCITY study: PGHD Phase 3 in the US, Europe and Canada
15VR7	AGHD Phase 2 study
15VR8	AGHD extension study
[*]	[*]

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SCHEDULE 4.7: INITIAL DEVELOPMENT PLAN AND BUDGET

INITIAL DEVELOPMENT PLAN:

[*]

INITIAL DEVELOPMENT BUDGET :

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Figure: Study Design

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Schedule 6.10: Versartis Proposed Trademarks

[*]

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Schedule 7.4.4: Calculation of ENS and the Application of the ANS S ettlement and True-up Procedure

Within [*] days after the end of a Fiscal Year, Teijin shall calculate and report to Versartis in writing the true-up amount (the " **TUA** ") along with the ANS for such Fiscal Year.

[*]

Within [*] days after Teijin's report of the ANS and the TUA for a Fiscal Year:

- If the TUA for such Fiscal Year is positive, then Teijin shall pay to GmbH a true up payment equal to the TUA (the " **True-Up Payment** "); and
- If the TUA for such Fiscal Year is negative, then Versartis shall issue a refund or credit to Teijin equal to the TUA (the " **True-Up Refund** ").

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Schedule 7.6.1.3: Third Party Agreements Bearing Royalty

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Schedule 12.3.10: In-License Agreements

[*]

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Exhibit 31.1

Certification of President and Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jay Shepard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Versartis, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have :

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2016

/s/ Jay Shepard
Jay Shepard
Chief Executive Officer

Exhibit 31.2

Certification of President and Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joshua Brumm, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Versartis, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have :

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2016

/s/ Joshua Brumm
Joshua Brumm
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jay Shepard, Chief Executive Officer of Versartis, Inc. (the "Company"), and Joshua Brumm, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2016, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2016

In Witness Whereof, the undersigned have set their hands hereto as of the 4 th day of November, 2016.

/s/ Jay Shepard
Jay Shepard
Chief Executive Officer

/s/ Joshua Brumm
Joshua Brumm
Chief Financial Officer