UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38360

Solid Biosciences Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**90-0943402**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
141 Portland Street, Fifth Floor Cambridge, MA	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 337-4680

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock $0.001 par value per share	SLDB	The Nasdaq Global Select Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of August 10, 2021, the registrant had 110,296,992 shares of common stock, $0.001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

SOLID BIOSCIENCES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share data)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 200,609	$ 154,744
Available-for-sale securities	48,350	—
Prepaid expenses and other current assets	5,743	4,157
Restricted cash, current	90	—
Accounts receivable - related party	286	—
Total current assets	255,078	158,901
Property and equipment, net	7,128	8,153
Operating lease, right-of-use assets	1,581	3,579
Other non-current assets	—	209
Restricted cash, excluding current portion	2,070	327
Total assets	$ 265,857	$ 171,169
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,003	$ 3,274
Accrued expenses	7,714	8,640
Operating lease liabilities	1,499	1,999
Finance lease liabilities	220	208
Other current liabilities	61	—
Deferred revenue - related party	10,048	10,359
Total current liabilities	22,545	24,480
Operating lease liabilities, excluding current portion	656	2,419
Finance lease liabilities, excluding current portion	412	525
Deferred revenue - related party, excluding current portion	4,306	10,359
Other non-current liabilities	—	1,300
Total liabilities	27,919	39,083
Commitments and contingencies		
Preferred stock, $0.001 par value; 10,000,000 shares authorized at June 30, 2021 and December 31, 2020; no shares issued and outstanding at June 30, 2021 and December 31, 2020	—	—
Common stock, $0.001 par value; 300,000,000 shares authorized at June 30, 2021 and December 31, 2020; 110,295,992 shares issued and outstanding at June 30, 2021 and 84,893,994 shares issued and outstanding at December 31, 2020; 2,158,329 pre-funded warrants outstanding at June 30, 2021 and December 31, 2020	112	87
Additional paid-in capital	678,001	536,568
Accumulated other comprehensive loss	(11)	—
Accumulated deficit	(440,164)	(404,569)
Total stockholders' equity	237,938	132,086
Total liabilities and stockholders' equity	$ 265,857	$ 171,169

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

SOLID BIOSCIENCES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Collaboration revenue - related party	$ 3,594	$ —	$ 6,929	$ —
Operating expenses:				
Research and development	15,513	13,448	29,719	33,113
General and administrative	6,766	5,526	12,781	10,776
Restructuring charges	—	—	—	1,944
Total operating expenses	22,279	18,974	42,500	45,833
Loss from operations	(18,685)	(18,974)	(35,571)	(45,833)
Other income (expense):				
Interest (expense) income	(13)	(13)	(27)	151
Other income	3	—	3	1
Total other income (expense), net	(10)	(13)	(24)	152
Net loss	$ (18,695)	$ (18,987)	$ (35,595)	$ (45,681)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.17)	$ (0.39)	$ (0.35)	$ (0.95)
Weighted average shares of common stock outstanding, basic and diluted	112,298,982	48,163,094	100,850,878	48,111,186

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

SOLID BIOSCIENCES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	$ (18,695)	$ (18,987)	$ (35,595)	$ (45,681)
Other comprehensive loss:				
Unrealized (loss) gain on available-for-sale securities	(11)	1	(11)	(1)
Comprehensive loss	$ (18,706)	$ (18,986)	$ (35,606)	$ (45,682)

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

SOLID BIOSCIENCES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited, in thousands, except share data)

	For the Three Months Ended June 30, 2021					
	Common Stock	Amount	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at March 31, 2021	112,446,896	$ 112	$ 674,357	$ —	$ (421,469)	$ 253,000
Equity-based compensation	—	—	3,635	—	—	3,635
Exercise of stock options	2,475	—	9	—	—	9
Net loss	—	—	—	—	(18,695)	(18,695)
Vesting of restricted stock units	6,262	—	—	—	—	—
Forfeiture of restricted stock awards	(1,312)	—	—	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	(11)	—	(11)
Balance at June 30, 2021	112,454,321	$ 112	$ 678,001	$ (11)	$ (440,164)	$ 237,938

	For the Six Months Ended June 30, 2021					
	Common Stock	Amount	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2020	87,052,323	$ 87	$ 536,568	$ —	$ (404,569)	$ 132,086
Equity-based compensation	—	—	6,542	—	—	6,542
Sale of common stock, net of issuance costs of $8,872	25,000,000	25	134,853	—	—	134,878
Exercise of stock options	10,625	—	38	—	—	38
Net loss	—	—	—	—	(35,595)	(35,595)
Vesting of restricted stock units	419,193	—	—	—	—	—
Forfeiture of restricted stock awards	(27,820)	—	—	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	(11)	—	(11)
Balance at June 30, 2021	112,454,321	$ 112	$ 678,001	$ (11)	$ (440,164)	$ 237,938

	For the Three Months Ended June 30, 2020					
	Common Stock	Amount	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at March 31, 2020	48,366,423	$ 48	$ 399,382	$ (1)	$ (342,973)	$ 56,456
Equity-based compensation	—	—	3,243	—	—	3,243
Net loss	—	—	—	—	(18,987)	(18,987)
Forfeiture of restricted stock awards	(2,331)	—	—	—	—	—
Unrealized gain on available-for-sale securities	—	—	—	1	—	1
Balance at June 30, 2020	48,364,092	$ 48	$ 402,625	$ —	$ (361,960)	$ 40,713

	For the Six Months Ended June 30, 2020					
	Common Stock	Amount	Additional paid in capital	Accumulated other comprehensive income (loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2019	48,283,270	$ 48	$ 396,278	$ 1	$ (316,279)	$ 80,048
Equity-based compensation	—	—	6,347	—	—	6,347
Net loss	—	—	—	—	(45,681)	(45,681)
Vesting of restricted stock units	121,975	—	—	—	—	—
Forfeiture of restricted stock awards	(41,153)					
Unrealized loss on available-for-sale securities	—	—	—	(1)	—	(1)
Balance at June 30, 2020	48,364,092	$ 48	$ 402,625	$ —	$ (361,960)	$ 40,713

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

SOLID BIOSCIENCES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended June 30,	
	2021	**2020**
Cash flows from operating activities:		
Net loss	$ (35,595)	$ (45,681)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of (discount)/premium on available-for-sale securities	7	(20)
Equity-based compensation expense	6,542	6,347
Depreciation expense	1,453	2,360
Gain on disposal of property and equipment	3	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current and non-current assets	621	362
Accounts receivable - related party	(286)	—
Accounts payable	(318)	(3,892)
Accrued expenses and other current and non-current liabilities	(4,529)	(1,818)
Deferred revenue- related party, current and non-current	(6,364)	—
Net cash used in operating activities	(38,466)	(42,342)
Cash flows from investing activities:		
Purchases of property and equipment	(384)	(759)
Proceeds from sale and maturities of available-for-sale securities	—	7,900
Purchases of available-for-sale securities	(48,368)	(401)
Net cash (used in) provided by investing activities	(48,752)	6,740
Cash flows from financing activities:		
Proceeds from issuance of common stock	134,878	—
Proceeds from exercise of stock options	38	—
Net cash provided by financing activities	134,916	—
Net increase/(decrease) in cash, cash equivalents and restricted cash	47,698	(35,602)
Cash, cash equivalents, and restricted cash at beginning of period	155,071	76,370
Cash, cash equivalents, and restricted cash at end of period	$ 202,769	$ 40,768
Supplemental disclosure of non-cash investing and financing activities:		
Change in unrealized loss	$ (11)	$ —
Decrease in right of use asset due to lease termination	$ (1,233)	$ —
Property and equipment included in accounts payable and accruals	$ 47	$ 27

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

1. Nature of the Business and Basis of Presentation

Nature of Business

Solid Biosciences Inc. was organized in March 2013 under the name SOLID Ventures Management, LLC. In October 2013, the company changed its name to Solid Ventures, LLC and in June 2015, the company changed its name to Solid Biosciences, LLC. The company operated as a Delaware limited liability company under the name Solid Biosciences, LLC until immediately prior to the effectiveness of its registration statement on Form S-1 on January 25, 2018, at which time it completed a statutory corporate conversion into a Delaware corporation (the "Corporate Conversion") and changed its name to Solid Biosciences Inc. (the "Company"). In addition, entities formed solely for the purpose of holding membership interests in the Company's limited liability company were merged with and into the Company. As a result of the Corporate Conversion, all of the Series 1 and 2 Senior Preferred, Junior Preferred Units, Series A, B, C and D Common Units of Solid Biosciences, LLC converted into shares of common stock of Solid Biosciences Inc. on a one for 0.8485 basis and all of the unit holders of Solid Biosciences, LLC became holders of common stock of Solid Biosciences Inc.

The Company's mission is to cure Duchenne muscular dystrophy ("Duchenne"), a genetic muscle-wasting disease predominantly affecting boys. It is caused by mutations in the dystrophin gene, which result in the absence or near-absence of dystrophin protein. Dystrophin protein works to strengthen muscle fibers and protect them from daily wear and tear. Without functioning dystrophin and certain associated proteins, muscles suffer excessive damage from normal daily activities and are unable to regenerate, leading to the build-up of fibrotic, or scar, and fat tissue. The Company's lead product candidate, SGT-001, is a gene transfer candidate under investigation for its ability to drive functional dystrophin protein expression in patients' muscles and improve the course of the disease. SGT-001 has been granted Rare Pediatric Disease Designation and Fast Track Designation in the United States and Orphan Drug Designations in both the United States and European Union. The Company filed an Investigational New Drug application ("IND") in September 2017 and initiated a Phase I/II clinical trial for SGT-001 in the United States during the fourth quarter of 2017, which is called IGNITE DMD. In November 2019, IGNITE DMD was placed on clinical hold by the U.S. Food and Drug Administration ("FDA"). In April 2020, the Company submitted a response to the FDA that included changes to the clinical protocol designed to enhance patient safety, as well as information related to improvements to its manufacturing process. The FDA responded by maintaining the clinical hold and requesting further data and analyses relating to this manufacturing process. In June 2020, the Company submitted a response to the FDA that provided data related to manufacturing process improvements. In July 2020, the Company announced that the FDA responded by maintaining the clinical hold and requesting further manufacturing information and updated safety and efficacy data for all patients dosed in the trial, as well as providing direction on the total viral load to be administered per patient. In October 2020, the Company announced that the FDA lifted the clinical hold placed on the Company's IGNITE DMD Phase I/II clinical trial. In February 2021, the Company resumed treatment of patients in the IGNITE DMD clinical trial. In May 2021, the Company announced the advancement of a next-generation Duchenne microdystrophin gene transfer program, SGT-003.

The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, development by competitors of new technological innovations, dependence on licenses, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the need to obtain additional financing to fund operations. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical studies and clinical trials and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure and extensive compliance and reporting capabilities.

The Company's product candidates are in development. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from, among others, other pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees, partners and consultants.

Liquidity

The accompanying condensed consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business. Through June 30, 2021, the Company has funded its operations primarily with the proceeds from the sale of redeemable preferred units and member units, the sale of common stock and prefunded warrants to purchase shares of its common stock in private placements and the sale of common stock in its initial public offering and follow-on public offering in March 2021 and sales under its at-the-market sales agreement.

In accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. As of June 30, 2021, the Company had an accumulated deficit of $440,164. During the three and six months ended June 30, 2021, the Company incurred a net loss of $18,695 and $35,595, respectively, and the Company used $38,466 of cash in operations for the six months ended June 30, 2021. The Company expects to continue to generate operating losses in the foreseeable future. Based upon its current operating plan, the Company expects that its cash, cash equivalents and available-for-sale securities of $248,959 as of June 30, 2021, will be sufficient to fund its operating expenses and capital expenditure requirements for at least twelve months from the date of issuance of these financial statements.

However, the Company has based this estimate on assumptions that may prove to be wrong, and its operating plan may change as a result of many factors currently unknown to it. As a result, the Company could deplete its capital resources sooner than it currently expects. The Company expects to finance its future cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances or licensing arrangements. If the Company is unable to obtain funding, the Company would be forced to delay, reduce or eliminate some or all of its research and development programs, preclinical and clinical testing or commercialization efforts, which could adversely affect its business prospects.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying condensed consolidated financial statements include the accounts of Solid Biosciences Inc. and its wholly owned or controlled subsidiaries. All intercompany accounts and transactions have been eliminated.

In the opinion of management, the Company's accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the Company's financial statements for interim periods in accordance with GAAP. The information included in this quarterly report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from the Company's audited financial statements but does not include all disclosures required by GAAP. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

2. Summary of Significant Accounting Policies

The Company's accounting policies are described in the "Notes to Consolidated Financial Statements" in its Annual Report on Form 10-K for the year ended December 31, 2020 and updated, as necessary, in this report.

Use of Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments 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 periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, estimates related to revenue recognition, the recognition of research and development expenses and equity-based compensation. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from the Company's estimates.

The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition, including clinical trials and employee-related amounts, will depend on future developments that are highly uncertain, including new information that may emerge concerning COVID-19 and the actions taken to contain it or treat its impact. The Company has made estimates of the impact of COVID-19 within its financial statements and there may be changes to those estimates in future periods. Actual results could differ from the Company's estimates.

Cash Equivalents

The Company considers all short-term, highly liquid investments with original maturities of 90 days or less at acquisition date to be cash equivalents.

Restricted Cash

The Company held restricted cash of $2,160 and $327 in separate restricted bank accounts as security deposits for leases of the Company's facilities as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, the Company classified $90 and $0 as a current asset and $2,070 and $327 as a non-current asset, respectively. A reconciliation of the amounts of cash and cash equivalents and restricted cash from the cash flow statement to the balance sheet is as follows:

	June 30, 2021	December 31, 2020
Cash and cash equivalents as presented on balance sheet	$ 200,609	$ 154,744
Restricted cash, current, as presented on balance sheet	90	—
Restricted cash, non-current, as presented on balance sheet	2,070	327
Cash and cash equivalents and restricted cash as presented on cash flow statement	$ 202,769	$ 155,071

Leases

At inception of a contract, the Company determines if a contract meets the definition of a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Company determines if the contract conveys the right to control the use of an identified asset for a period of time. The Company assesses throughout the period of use whether the Company has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed. Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the minimum future lease payments. The Company's policy is to not record leases with an original term of twelve months or less on the consolidated balance sheets. The Company recognizes lease expense for these short-term leases on a straight-line basis over the lease term. Certain lease agreements include rental payments that are adjusted periodically for inflation or other variables. In addition to rent, the leases may require the Company to pay additional amounts for taxes, insurance, maintenance and other expenses, which are generally referred to as non-lease components. Such adjustments to rental payments and variable non-lease components are treated as variable lease payments and recognized in the period in which the obligation for these payments was incurred. Variable lease components and variable non-lease components are not measured as part of the right of use asset and liability. Only when lease components and their associated non-lease components are fixed are they accounted for as a single lease component and recognized as part of a right of use asset and liability. Total contract consideration is allocated to the combined fixed lease and non-lease components.

In June 2021, the Company entered into a lease with Hood Park LLC ("Landlord"), pursuant to which the Company will lease approximately 49,869 square feet of office, laboratory, research and development and manufacturing space located in Charlestown, Massachusetts ("Premises"). The Company intends to relocate its corporate headquarters to the Premises in early 2022. The term of the lease commences on the later of (i) the date the Landlord delivers the Premises to the Company or (ii) the earlier of (a) the date the Company's work on the Premises is substantially completed, (b) the date the Company commences business operations in the Premises, or (c) the one hundred twentieth (120th) day following the Landlord's satisfaction of item (i) above. The lease commencement date is anticipated to be in the first quarter of 2022. The date on which the Company will become responsible for paying rent under the lease will be 61 days following the lease commencement date. The initial term of the lease will be for a ten-year period commencing on the lease commencement date, unless earlier terminated. The lease provides the Company with an option to extend the lease for an additional five-year term. The Company and the Landlord are each obligated to undertake certain improvements prior to the commencement of the lease. The Landlord is required to use good faith and commercially reasonable efforts to deliver the Premises to the Company by September 2021. The Company plans to make certain improvements to the Premises prior to commencement of the lease, which will be partially paid for with a tenant improvement allowance. The Company was required to post a customary letter of credit in the amount of $1,833, subject to decrease on a set schedule, as a security deposit pursuant to the lease. As of June 30, 2021, the lease had not commenced. For the three and six months ended June 30, 2021, the Company incurred approximately $348 of tenant improvement allowance receivable.

In June 2021, the Company determined that it no longer needed a floor of office space that it was renting and terminated its lease with another landlord. As a result of the termination, the Company wrote off $1,314 and $1,233 of the remaining lease liability and right-of-use asset, respectively associated with the lease.

Segment Data

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Company's singular focus is on developing treatments through gene therapy and other means for patients with Duchenne. All of the Company's tangible assets are held in the United States.

Related Parties

In October 2020, the Company entered into a collaboration and license agreement (the "Collaboration Agreement") with Ultragenyx Pharmaceutical Inc. ("Ultragenyx"). In connection with the Collaboration Agreement, Ultragenyx also purchased 7,825,797 shares of the Company's common stock, which resulted in Ultragenyx becoming a related party of the Company.

In November 2020, the Company entered into a consulting agreement with Danforth Advisors, LLC, or Danforth, an affiliate of Stephen DiPalma, the Company's interim chief financial officer. Pursuant to the consulting agreement, Danforth provides the Company with the chief financial officer services of Mr. DiPalma, and other services, including financial planning, offering support and accounting services, in exchange for fees payable to Danforth based on hourly rates. The Company has paid Danforth approximately $313 to date. In accordance with the consulting agreement, in November 2020, the Company issued to Danforth a warrant to purchase 30,000 shares of the Company's common stock at an exercise price per share of $3.29. The consulting agreement may be terminated by either party without cause upon 60 days' prior written notice to the other party and with cause upon 30 days' prior written notice to the other party.

Recently Adopted Accounting Pronouncements

In August 2018 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This new standard modifies certain disclosure requirements on fair value measurements. This new standard was effective for the Company on January 1, 2020. The adoption of this new standard did not have a material impact on the Company's disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740 and clarifies and amends existing guidance to improve consistent application. The standard became effective for the Company beginning January 1, 2021. The amendments that are related to changes in ownership of foreign equity method investments or foreign subsidiaries are to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The amendments that are related to franchise taxes that are partially based on income are to be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. All other amendments under this ASU are to be applied on a prospective basis. The Company adopted the guidance effective January 1, 2021. The adoption of this new standard did not have a material impact on the Company's financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which was subsequently modified by several ASU's issued in 2018 and 2019*. The standard introduces a new current expected credit loss ("CECL") model for measuring expected credit losses for certain types of financial instruments measured at amortized cost and replaces the incurred loss model. The CECL model requires an entity to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount the entity expects to collect over the instrument's contractual life after consideration of historical experience, current conditions, and reasonable and supportable forecasts. The standard eliminates the concept of other-than-temporary impairment and requires an entity to determine whether any impairment is the result of a credit loss or other factors. ASU 2016-13 is effective for the Company on January 1, 2023. The Company is currently evaluating the potential impact that this standard may have on its financial statements and related disclosures.

3. Collaborations

Ultragenyx Collaboration Agreement

Collaboration Agreement

On October 22, 2020 (the "Effective Date"), the Company entered into a collaboration and license agreement with Ultragenyx Pharmaceutical Inc. to focus on the development and commercialization of new gene therapies for Duchenne Muscular Dystrophy. The Company granted Ultragenyx an exclusive worldwide license for any pharmaceutical product that expresses the Company's proprietary microdystrophin construct from AAV8 and variants thereof in clade E for the treatment of Duchenne Muscular Dystrophy and other diseases resulting from the lack of functional dystrophin (the "Licensed Products"). The Company retains exclusive rights to all other uses of its microdystrophin proteins, including under its existing SGT-001 program.

The Company will conduct certain research and development activities with respect to the development of the Licensed Products. Ultragenyx will reimburse the Company for personnel and out-of-pocket costs that the Company incurs in conducting such development activities.

In addition, Ultragenyx granted to the Company an exclusive Development Option or Income Share Option (each as defined and described below) exercisable in the Company's sole discretion one time per Licensed Product. After the date of first achievement of clinical proof of concept, Ultragenyx will provide to the Company a data package with respect to the relevant Licensed Product. The Company will use the data package to determine whether to exercise the corresponding Development Option or Income Share Option with respect to such Licensed Product.

With respect to each Licensed Product for which the Company has not exercised the Development Option or Income Share Option the Company will be entitled to milestone payments of up to $25,000 in the aggregate for each such Licensed Product that achieves specified development milestones and $65,000 in the aggregate for each such Licensed Product that achieves specified regulatory milestones. With respect to each Licensed Product for which the Company has not exercised the Income Share Option, the Company will also be entitled to milestone payments of up to $165,000 in the aggregate for each Licensed Product that archives specified annual worldwide net sales milestones. For Licensed Products for which the Company has not exercised the Development Option or Income Share Option, Ultragenyx will pay the Company tiered royalties on a Licensed Product-by-Licensed Product and country-by-country basis ranging from a low double digit percentage to a mid-teens percentage based on Ultragenyx's annual worldwide net sales of such Licensed Products.

For each Licensed Product for which Ultragenyx decides to initiate a registrational trial in humans, the Company will have the option to fund 30% of the development costs in the United States and European Union for such Licensed Product and forgo the development and regulatory milestones (the "Development Option") and receive tiered royalties on a Licensed Product-by-Licensed Product and country-by-country basis ranging from a mid-teens percentage to a low twenties percentage based on Ultragenyx's annual worldwide net sales of each such Licensed Product.

For each Licensed Product for which the Company exercises the Development Option, the Company may also elect to share 30% of the net income and net losses on net sales of such Licensed Product in the United States and European Union (the "Income Share Option"). For Licensed Products for which the Company has exercised the Income Share Option, the Company will not be entitled to milestone payments and Ultragenyx will pay the Company tiered royalties on a Licensed Product-by-Licensed Product and country-by-country basis ranging from a mid-teens percentage to a low twenties percentage based on Ultragenyx's annual net sales of each such Licensed Product outside of the United States and European Union.

The Company may only exercise an Income Share Option if neither the Company nor any of its affiliates is then developing or commercializing a product that is competitive with the Licensed Product that is subject to such option. If the Company or any of its affiliates subsequently develops or commercializes a product that is competitive with a Licensed Product for which the Company has exercised an Income Share Option, then the Company and Ultragenyx will no longer share the net income and net losses on net sales of such Licensed Product and such Licensed Product will be treated as if the Company had exercised the Development Option with respect to such Licensed Product.

Following the Company's exercise of the Development Option or Income Share Option with respect to a Licensed Product, the Company also has the right to cease participation in the sharing of development costs and sharing in net income and net losses on net sales, as applicable, for such Licensed Product by written notice to Ultragenyx. Upon such notice, the Company will no longer share in the development costs and net income and net losses on net sales of such Licensed Product, as applicable, and will be eligible to receive payments on milestones achieved after the opt-out for such Licensed Product and royalties at the rates applicable to Licensed Products for which the Company has not exercised the Development Option or Income Share Option, as described above.

The Collaboration Agreement continues on a country-by-country and Licensed Product-by-Licensed Product basis until the expiration of all payment obligations under the agreement. With respect to any Licensed Product for which the Company has exercised an Income Share Option, the Collaboration Agreement continues until there are no longer sales of such Licensed Product in the United States or Europe. Either party has the right to terminate the agreement if the other party has materially breached in the performance of its obligations under the agreement and such breach has not been cured within the applicable cure period. Ultragenyx may also terminate the Collaboration Agreement in its sole discretion upon 90 days' prior written notice to the Company.

Stock Purchase Agreement

In connection with the execution of the Collaboration Agreement, Ultragenyx and the Company also entered into a stock purchase agreement (the "Stock Purchase Agreement") on October 22, 2020 (the "Closing Date"), pursuant to which the Company issued and sold 7,825,797 shares of its common stock (the "Shares") to Ultragenyx at a price of $5.1113 per share for an aggregate purchase price of approximately $40,000. The Stock Purchase Agreement contains customary representations, warranties and covenants of each of the parties thereto. Following the sale of the Shares, Ultragenyx beneficially owned approximately 14.45% of the Company's outstanding common stock. As of June 30, 2021, Ultragenyx beneficially owned less than 10% of the Company's outstanding common stock.

Investor Agreement

In connection with the consummation of the transactions contemplated by the Stock Purchase Agreement, the Company and Ultragenyx entered into an Investor Agreement (the "Investor Agreement") on the Effective Date. Pursuant to the terms of the Investor Agreement, Ultragenyx agreed that the Shares will be subject to a lock-up restriction, such that Ultragenyx will not, and will also cause its affiliates not to, without the prior approval of the Company and with certain exceptions, sell, transfer or otherwise dispose of the Shares until the earliest to occur of (i) 18 months after the Effective Date, (ii) the termination of the Collaboration Agreement or (iii) other specified events.

Pursuant to the terms of the Investor Agreement, Ultragenyx agreed that, so long as it holds at least 10% of the Company's outstanding common stock, the Shares will be subject to a voting agreement, such that until the earliest to occur of certain specified events, and subject to specified conditions, Ultragenyx will, and will cause its permitted transferees to, vote in accordance with the recommendation of the Company's Board of Directors with respect to specified matters.

Accounting Treatment

The Company concluded that the Collaboration Agreement and the Stock Purchase Agreement should be combined and treated as a single arrangement for accounting purposes as the agreements were entered into contemporaneously and in contemplation of one another.

The Company assessed this arrangement in accordance with ASC 606 and concluded that the contract counterparty, Ultragenyx, is a customer. The Company identified the following promises in the Collaboration Agreement that were evaluated under the scope of ASC 606: (1) an exclusive worldwide license to the Licensed Products; (2) an obligation to perform research and development services; and (iii) an obligation to participate in a joint steering committee. The Company assessed the promised goods and services to determine if they are distinct. Based on this assessment, the Company determined that Ultragenyx cannot benefit from the promised goods and services separately from the others as they are highly interrelated and therefore not distinct. Due to the early stage of the Licensed Products, the research and development services could not be performed by another party. The Company's skill-set, knowledge and expertise are required to conduct the research and development services and the research and development services are expected to involve significant further development of the Licensed Products. Accordingly, the promised goods and services represent one combined performance obligation and the entire transaction price will be allocated to that single combined performance obligation.

The Company determined the transaction price under ASC 606 at the inception of the Collaboration Agreement to be $22,513, which represents the excess proceeds from the equity investment under the Stock Purchase Agreement, when measured at fair value after taking into consideration a discount for lack of marketability, plus the estimated reimbursement of research and development costs, which represents variable consideration. The Company included the estimated reimbursement of research and development costs in the transaction price at the inception of the arrangement because the Company is required to perform research and development services and the contract requires Ultragenyx to reimburse the Company for costs incurred. Also, since the related revenue would be recognized only as the costs are incurred, the Company determined it is not probable that a significant reversal of cumulative revenue would occur. The Company evaluated how much variable consideration related to development and regulatory milestones, and the Company's potential exercise of its Development Option or Income Share Option per Licensed Product, to include in the transaction price using the most likely amount approach and concluded that no amount should be included in the transaction price due to the high degree of uncertainty and risk associated with these potential payments. The Company also determined that royalties and sales milestones relate solely to the license of intellectual property and are therefore excluded from the transaction price under the sales- or usage-based royalty exception of ASC 606. Revenue related to these royalties and sales milestones will only be recognized when the associated sales occur, and relevant thresholds are met.

The Company determined that revenue under the Collaboration Agreement should be recognized over time as Ultragenyx simultaneously receives the benefit from the Company as the Company performs under the single performance obligation over time. The Company will recognize revenue for the single performance obligation using a cost-to-cost input method as the Company has concluded it best depicts the research and development and joint steering committee participation services performed. Under this method, the transaction price is recognized over the contract's entire performance period, using costs incurred relative to total estimated costs to determine the extent of progress towards completion.

During the three and six months ended June 30, 2021, the Company recognized $3,594 and $6,929, respectively, of related party collaboration revenue, associated with its collaboration with Ultragenyx related to research and development services performed during the period and the corresponding cost reimbursement receivable.

The following table presents changes in the balances of the Company's related party collaboration receivables and contract liabilities during the three and six months ended June 30, 2021:

	Balance as of March 31, 2021	Additions	Deductions	Balance as of June 30, 2021
Related party collaboration receivable	$ 280	$ 286	$ (280)	$ 286
Contract liabilities:				
Deferred revenue	17,663	—	(3,309)	14,354

	Balance as of December 31, 2020	Additions	Deductions	Balance as of June 30, 2021
Related party collaboration receivable	$ —	$ 566	$ (280)	$ 286
Contract liabilities:				
Deferred revenue	20,718	—	(6,364)	14,354

The change in receivables balance for the three and six months ended June 30, 2021 is driven by amounts owed to the Company for research and development services provided, partially offset by $280 in collections received from Ultragenyx during the period.

As of June 30, 2021, there was $14,354 of deferred revenue related to the Ultragenyx Collaboration Agreement, which is classified as either current or non-current in the accompanying condensed consolidated balance sheet based on the period the services are expected to be delivered. Additionally, as of June 30, 2021, there was $286 of related party collaboration receivables related to reimbursable costs expected to be received from Ultragenyx for research and development services performed.

Costs incurred relating to the Ultragenyx Collaboration Programs consist of internal and external research and development costs, which primarily include salaries and benefits, lab supplies, preclinical research studies, clinical studies, consulting services, and commercial development. These costs are included in research and development expenses in the Company's condensed consolidated statement of operations during the three and six months ended June 30, 2021.

4. Fair Value of Financial Assets and Liabilities

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values:

	Fair Value Measurements as of June 30, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ —	$ 155,757	$ —	$ 155,757
Available-for-sale securities	$ —	$ 48,350	$ —	$ 48,350
	$ —	$ 204,107	$ —	$ 204,107

	Fair Value Measurements as of December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ —	$ 84,462	$ —	$ 84,462
	$ —	$ 84,462	$ —	$ 84,462

As of June 30, 2021 and December 31, 2020, the fair values of the Company's available-for-sale debt securities, which consisted of commercial paper and corporate bond securities, was determined using Level 2 inputs. During the six months ended June 30, 2021 and the year ended December 31, 2020, there were no transfers between Level 1, Level 2 and Level 3.

The fair value of the Company's cash, restricted cash, accounts payable, and accrued expenses and other current liabilities approximate their carrying value due to their short-term maturities.

5. Available-for-Sale Securities

As of June 30, 2021, the fair value of available-for-sale securities by type of security was as follows:

	June 30, 2021			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Investments:				
Corporate bond securities	$ 38,366	$ —	$ (11)	$ 38,355
Commercial paper	$ 9,995	$ —	$ —	$ 9,995
	$ 48,361	$ —	$ (11)	$ 48,350

As of December 31, 2020, there were no available-for-sale securities.

The estimated fair value and amortized cost of the Company's available-for-sale securities by contractual maturity are summarized as follows:

	June 30, 2021	
	Amortized Cost	Fair Value
Due in one year or less	$ 48,361	$ 48,350
Total available-for-sale securities	$ 48,361	$ 48,350

The weighted average maturity of the Company's available-for-sale securities as of June 30, 2021 was approximately 0.5 years. As of December 31, 2020, there were no available-for-sale securities.

6. Property and Equipment

Property and equipment consists of the following:

	June 30, 2021	December 31, 2020
Furniture and fixtures	$ 213	$ 203
Laboratory equipment	9,849	9,631
Leasehold improvements	4,713	4,713
Computer equipment	436	436
Computer software	553	553
Construction in process	1,520	1,330
	17,284	16,866
Less accumulated depreciation	10,156	8,713
	$ 7,128	$ 8,153

Depreciation expense was $718 and $1,453 for the three and six months ended June 30, 2021.

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2021	December 31, 2020
Prepaid research and development expenses	$ 1,953	$ 2,674
Tenant improvement allowance receivable	348	-
Prepaid expenses and other assets	3,442	1,483
	$ 5,743	$ 4,157

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 30, 2021	December 31, 2020
Accrued research and development	$ 2,389	$ 2,091
Accrued compensation	1,810	3,834
Accrued other	3,515	2,715
	$ 7,714	$ 8,640

9. Stockholders' Equity

In July 2019, the Company issued and sold in a private placement (i) 10,607,525 shares of its common stock at a price per share of $4.65 and (ii) 2,295,699 pre-funded warrants to purchase shares of its common stock at a price per warrant of $4.64. Each pre-funded warrant is exercisable for one share of common stock at an exercise price of $0.01 and the pre-funded warrants have no expiration date. The Company received gross proceeds from the private placement of $59,977, before deducting offering costs of $2,102. In October 2020, 137,460 of these pre-funded warrants were exercised. No warrants were exercised during the three and six months ended June 30, 2021 and 2020.

In October 2020, in connection with the execution of the Collaboration Agreement, Ultragenyx and the Company also entered into the Stock Purchase Agreement, pursuant to which the Company issued and sold 7,825,797 shares of its common stock to Ultragenyx at a price of $5.1113 per share for an aggregate purchase price of approximately $40,000.

In October 2020, the Company sold 6,309,632 shares of common stock pursuant to a sales agreement (the "ATM Sales Agreement"), by and between the Company and Jefferies LLC ("Jefferies"), resulting in net proceeds to the Company of $23,209.

In December 2020, the Company issued and sold in a private placement 24,324,320 shares of its common stock at a price per share of $3.70. The Company received net proceeds from the private placement of $86,210 after deducting placement agent fees and offering expenses of $3,790.

In March 2021, the Company issued and sold in a public offering 25,000,000 shares of its common stock at a price to the public of $5.575 per share. The Company received net proceeds of $134,878 after deducting underwriting discounts and commissions and offering expenses.

10. Equity-Based Compensation

In connection with the closing of the Company's initial public offering, the board of directors and stockholders approved the 2018 Omnibus Incentive Plan, which provides for the reservation of 5,001,000 shares of common stock for equity awards. On June 16, 2020, the Company's stockholders approved the 2020 Equity Incentive Plan ("2020 Plan") which consists of (i) 3,000,000 shares of common stock and (ii) additional shares of common stock (up to 4,879,025) as is equal to (i) the number of shares reserved under the Company's 2018 Omnibus Incentive Plan ("2018 Plan") that remain available for grant under the 2018 Plan as of immediately prior to the date the 2020 Plan was approved by the Company's stockholders and (ii) the number of shares subject to awards granted under the 2018 Plan which awards expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right. In June 2021, the Company's stockholders approved an amendment to the 2020 Plan to reserve an additional 7,000,000 shares of common stock for issuance under the plan. In June 2021, the Company's stockholders also approved the 2021 Employee Stock Purchase Plan ("ESPP"), which provides for 1,102,885 shares to be available for purchase by eligible employees according to its terms.

During the three and six months ended June 30, 2021, the Company granted options for the purchase of 604,400 and 3,001,895, respectively, shares of common stock. During the three and six months ended June 30, 2021, the Company granted no restricted stock units.

The Company recorded equity-based compensation expense related to all of its share-based awards to employees and non-employees in the following captions within its condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Research and development	$ 1,992	$ 1,616	$ 3,482	$ 2,855
General and administrative	1,643	1,627	3,060	2,641
Restructuring	—	—	—	851
Total	$ 3,635	$ 3,243	$ 6,542	$ 6,347

11. Income Taxes

During the three and six months ended June 30, 2021 and 2020, the Company recorded no income tax benefits for the net operating losses incurred or for the research and development tax credits and orphan drug credits generated in each year due to its uncertainty of realizing a benefit from those items. The Company has provided a valuation allowance for the full amount of its net deferred tax assets because, at June 30, 2021 and December 31, 2020, it was more likely than not that any future benefit from deductible temporary differences and net operating loss and tax credit carryforwards would not be realized.

As of June 30, 2021 and December 31, 2020, the Company had not recorded any amounts for unrecognized tax benefits. The Company files income tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently no pending income tax examinations. The Company's C-Corporation tax years beginning with the year ended December 31, 2018 are open under statute. Any tax credit or net operating loss carryforward can be adjusted in future periods after the respective year of generation's statute of limitation has closed.

12. Commitments and Contingencies

Legal Proceedings

The Company may periodically become subject to legal proceedings and claims arising in connection with ongoing business activities, including claims or disputes related to patents that have been issued or that are pending in the field of research on which the Company is focused. The Company is not aware of any material legal proceedings or claims as of June 30, 2021.

13. Net Loss per Share

Basic and diluted net loss per share attributable to common stockholders were calculated as follows:

The numerator for basic and diluted net loss per share attributable to common stockholders is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss attributable to common stockholders	$ (18,695)	$ (18,987)	$ (35,595)	$ (45,681)

The denominator is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Weighted average shares of common stock outstanding, basic and diluted	110,140,653	48,163,094	98,692,549	48,111,186
Weighted average shares of pre-funded warrants to purchase common stock	2,158,329	—	2,158,329	—
Total	112,298,982	48,163,094	100,850,878	48,111,186

Net loss per share attributable to common stockholders, basic and diluted is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss per share attributable to common stockholders	$ (0.17)	$ (0.39)	$ (0.35)	$ (0.95)

The following potential common stock equivalents, presented based on amounts outstanding at each period end, were excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect for the six months ended June 30:

	2021	2020
Options to purchase shares of common stock	5,602,998	3,607,953
Unvested shares of common stock	13,008	184,171
Unvested restricted stock units	312,264	1,421,095
	5,928,270	5,213,219

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this quarterly report on Form 10-Q and our audited financial statements and related notes for the year ended December 31, 2020 included in our annual report filed on Form 10-K on March 15, 2021.

Some of the statements contained in this discussion and analysis or set forth elsewhere in this quarterly report on Form 10-Q, including information with respect to our plans and strategy for our business, constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. The following information and any forward-looking statements should be considered in light of factors discussed elsewhere in this quarterly report on Form 10-Q particularly including those risks identified in Part II, Item 1A "Risk Factors" and our other filings with the Securities and Exchange Commission, or the SEC.

Our actual results and timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this quarterly report on Form 10-Q. Statements made herein are made as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this quarterly report on Form 10-Q, they may not be predictive of results or developments in future periods. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made.

Overview

Our mission is to cure Duchenne muscular dystrophy, or Duchenne, a genetic muscle-wasting disease predominantly affecting boys, with symptoms that usually manifest between three and five years of age. Duchenne is a progressive, irreversible and ultimately fatal disease that affects approximately one in every 3,500 to 5,000 live male births and has an estimated prevalence of 10,000 to 15,000 cases in the United States alone. Duchenne is caused by mutations in the dystrophin gene, which result in the absence or near-absence of dystrophin protein. Dystrophin protein works to strengthen muscle fibers and protect them from daily wear and tear. Without functioning dystrophin and certain associated proteins, muscles suffer excessive damage from normal daily activities and are unable to regenerate, leading to the build-up of fibrotic, or scar, and fat tissue. There is no cure for Duchenne and, for the vast majority of patients, there are no satisfactory symptomatic or disease-modifying treatments.

Our efforts are focused on our lead product candidate, SGT-001, a gene transfer candidate under investigation for its ability to drive functional dystrophin protein expression in patients' muscles and improve the course of the disease. Based on our preclinical program that included multiple animal species of different phenotypes and genetic variations, as well as preliminary clinical trial biomarker results, we believe that SGT-001, has the potential to slow or even halt the progression of Duchenne, regardless of the type of genetic mutation or stage of the disease. SGT-001 has been granted Rare Pediatric Disease Designation, or RPDD, and Fast Track Designation, in the United States and Orphan Drug Designations in both the United States and European Union. The safety and efficacy of SGT-001 are currently being evaluated in a Phase I/II clinical trial called IGNITE DMD. In March 2021, we announced that the seventh patient, who was the fourth patient in the 2E14 vg/kg cohort, was treated with SGT-001, under an amended clinical protocol designed to enhance patient safety, incorporating the prophylactic use of both anti-complement inhibitor eculizumab and C1 esterase inhibitor, and increasing the prednisone dose in the first month post dosing. This patient was safely dosed, with transient and manageable adverse events, none of which were serious.

In April 2021, an eighth patient, also in the 2E14 vg/kg cohort, was treated with SGT-001. The patient experienced a systemic inflammatory response which has since fully resolved. The event was classified as a serious adverse event and considered by the investigator to be drug related. This type of event is described in our Investigators Brochure and is not considered unexpected.

Following dosing of these two patients with our second-generation manufacturing process and clinical strategy, we conducted an extensive review of all clinical data, resulting in a strengthened risk mitigation plan, which has also been submitted to the FDA. Activities are underway to advance IGNITE DMD with the next patient dosing anticipated in the fourth quarter of 2021.

No new drug-related safety findings have been identified in patients 1 through 8 in post-dosing periods of 90 days to more than 3 years. We continue to follow dosed patients and collect data to support the potential benefit from dosing with SGT-001.

In May 2021, we reported long-term biopsy data collected from patients four through six, who were dosed at the 2E14 vg/kg dose level. Analyses of the biopsies, taken 2 years, 1.5 years and 1 year post-dosing, respectively, demonstrated durable and widespread expression of the microdystrophin protein. The long-term results are consistent with the day 90, interim data reported in March 2021 and continue to demonstrate the functionality of the SGT-001 microdystrophin, as highlighted by the recruitment of key dystrophin associated proteins: beta-sarcoglycan and neuronal Nitric Oxide Synthase or nNOS. The long-term muscle biopsy results were analyzed by two methods, western blot and immunofluorescence. As reflected in the table below, the Western Blot data indicate that expression was maintained in patient 4 and increased compared to the day 90 biopsies in patients 5 and 6. Immunofluorescence data show microdystrophin function via continued localization to the muscle membrane, with the percent positive fibers remaining comparable to the day 90 biopsies in all three patients.

Patient No.	**Last Timepoint Post-Dosing**	**Western Blot**		**Immunofluorescence (% Positive Fibers)**	
		Day 90	**Last Timepoint**	**Day 90**	**Last Timepoint**
4	24 months	BLQ	BLQ	10-20%	10-30%
5	18 months	17.50%	69.80%	50-70%	85%
6	12 months	8.00%	20.30%	50-70%	50-60%

**Below the limit of quantification*

Further morphological analysis of the muscle biopsies conducted by us indicate that sustained microdystrophin protein expression and function resulted in membrane stabilization, evidenced by minimal progression of muscle deterioration since the day 90 timepoint. These long-term pathophysiological improvements support the recently reported positive trends in the clinical biomarker and functional data.

In May 2021, we announced the advancement of a next-generation Duchenne microdystrophin gene transfer program, SGT-003. We have developed a library of novel capsids that show increased muscle tropism, decreased liver biodistribution and drive improved efficiency compared with AAV9 in various *in vitro* and *in vivo* models. SGT-003 is a preclinical candidate that combines a novel and rationally-designed capsid candidate from this library with Solid's proprietary nNOS containing microdystrophin construct. We are currently targeting an IND submission for SGT-003 in early-2023.

Since our inception, we have devoted substantial resources to identifying and developing SGT-001 SGT-003 and our other product candidates, developing our manufacturing processes, organizing and staffing our company and providing general and administrative support for these operations. We have incurred significant losses every year since our inception. We do not have any products approved for sale. To date, we have not generated any revenue. Our ability to eventually generate any product revenue sufficient to achieve profitability will depend on the successful development, approval and eventual commercialization of SGT-001, SGT-003 and our other product candidates. If successfully developed and approved, we intend to commercialize SGT-001, and SGT-003 in the United States and European Union and may enter into licensing agreements or strategic collaborations in other markets. If we generate product sales or enter into licensing agreements or strategic collaborations, we expect that any revenue we generate will fluctuate from quarter to quarter and year to year as a result of the timing and amount of any product sales, license fees, milestone payments and other payments. If we fail to complete the development of SGT-001, SGT-003 and our other product candidates in a timely manner or obtain regulatory approval of them, our ability to generate future revenue, and our results of operations and financial position, would be materially adversely affected.

Due to our significant research and development expenditure, licensing and patent investment, and general administrative costs associated with our operations, we have generated substantial operating losses in each period since our inception. Our net losses were $35.6 million for the six months ended June 30, 2021 and $45.7 million for the six months ended June 30, 2020. As of June 30, 2021, we had an accumulated deficit of $440.2 million. We expect to incur significant expenses and operating losses for the foreseeable future.

In January 2020, we announced a reduction in workforce by approximately 30% as part of a strategic plan designed to create a leaner company focused on advancing SGT-001.

As we seek to develop and commercialize SGT-001, SGT-003 or any other product candidates, we anticipate that our expenses will increase significantly and that we will need substantial additional funding to support our continuing operations. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity financings, debt financings or other sources, which may include licensing agreements or strategic collaborations. We may be unable to raise additional funds or enter into such agreements or arrangements when needed on favorable terms, if at all. If we fail to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development or commercialization of SGT-001, SGT-003 or our other product candidates.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or determine when or if we will be able to achieve or maintain profitability. Even if we are able to generate revenue from product sales, we may not become profitable. 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 terminate our operations.

On January 30, 2018, we completed our initial public offering in which we sold 8,984,375 shares of our common stock, including shares of our common stock issued upon the exercise in full of the underwriters' over-allotment option, at a public offering price of $16.00 per share, resulting in net proceeds of $129.1 million, after deducting underwriting discounts and commissions and offering expenses.

In July 2019, we completed a private placement of shares of our common stock and pre-funded warrants to purchase shares of our common stock resulting in net proceeds to us of $57.9 million, after deducting offering costs.

In October 2020, we entered into a collaboration and license agreement, or the Collaboration Agreement, with Ultragenyx Pharmaceutical Inc., or Ultragenyx, pursuant to which we granted Ultragenyx an exclusive worldwide license under certain intellectual property rights controlled by us to make, have made, use, distribute, offer for sale, sell, import and export, including to research, develop, modify, enhance, improve, register, distribute, commercialize, or otherwise dispose of AAV8 or other clade E AAV variant pharmaceutical products that express our MD5 nNOS binding domain form of microdystrophin protein for the diagnosis, treatment, cure, mitigation or prevention of Duchenne and other disease indications resulting from a lack of functional dystrophin, including Becker muscular dystrophy. On a product-by-product basis, we have the option to fund 30% of the development costs in the United States and European Union and share 30% of the net income and net losses on net sales of such Licensed Product in the United States and European Union. In connection with the execution of the Collaboration Agreement, we also entered into a stock purchase agreement with Ultragenyx, pursuant to which we issued and sold 7,825,797 shares of our common stock to Ultragenyx for an aggregate purchase price of approximately $40 million.

During the year ended December 31, 2020, we sold 6,309,632 shares pursuant to the ATM Sales Agreement, resulting in net proceeds of $23.2 million.

In December 2020, we completed a private placement of shares of common stock resulting in net proceeds to us of $86.2 million, after deducting offering costs.

In March 2021, we issued and sold in a public offering 25,000,000 shares of our common stock at a price per share to the public of $5.75, including the full exercise by the underwriters of an option to purchase additional shares of common stock, or the March 2021 Offering. We received net proceeds of approximately $134.9 million after deducting underwriter discounts and commissions and offering expenses.

As of June 30, 2021, we had cash, cash equivalents, and available-for-sale securities of $249.0 million. We believe that our cash, cash equivalents, and available-for-sale securities as of June 30, 2021 will enable us to fund our operating expenses and capital expenditure requirements into the fourth quarter of 2022. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently anticipate.

The ongoing COVID-19 pandemic has caused federal, state, and local governments to implement measures to slow the spread of the outbreak through quarantines, strict travel restriction and bans, heightened border scrutiny and other measures. We are following, and will continue to follow, recommendations from the U.S. Centers for Disease Control and Prevention as well as federal, state, and local governments regarding working-from-home practices for non-essential employees. As a result, we have modified our business practices, including implementing a work from home policy for all employees who are able to perform their duties remotely. We expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees, and other business partners in light of COVID-19. The full extent of the impact of COVID-19 on our business, results of operations and financial condition will depend on future developments that are highly uncertain, including the length and severity of this pandemic, the actions taken to contain it or treat its impact and the impact on our clinical development, employees, vendors and suppliers, all of which are uncertain and cannot be predicted. We will continue to monitor the situation closely.

Financial operations overview

Revenue

Collaboration revenue

Collaboration revenue was $3.6 million and $6.9 million for the three and six months ended June 30, 2021, respectively. We recognized this revenue related to research services and cost reimbursement from the Ultragenyx Collaboration Agreement.

Product revenue

We have not generated any product revenue to date and do not expect to generate any product revenue from the sale of our products for the next few years, if ever. If our development efforts for SGT-001, SGT-003 or our other product candidates are successful and result in marketing approval, we may generate product revenue in the future from product sales.

Operating expenses

We classify our operating expenses into two categories: research and development, and general and administrative expenses. Personnel costs, including salaries, benefits, bonuses and equity-based compensation expense, comprise a significant component of each of these expense categories. We allocate expenses associated with personnel costs based on the nature of work associated with these resources.

Research and development expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of SGT-001, SGT-003 and our other product candidates and include:

- expenses incurred under agreements with third parties, including contract research organizations, or CROs, that conduct research and preclinical activities on our behalf, as well as contract manufacturing organizations, or CMOs, that manufacture SGT-001, SGT-003 and our other product candidates for use in our preclinical studies and clinical trials;
- salaries, benefits and other related costs, including equity-based compensation expense, for personnel engaged in research and development functions;
- costs of outside consultants, engaged to assist in our research and development activities, including their fees, equity-based compensation and related travel expenses;
- costs of laboratory supplies and acquiring, developing and manufacturing preclinical study and clinical trial materials;
- costs incurred in seeking regulatory approval of SGT-001, SGT-003 and our other product candidates;
- expenses incurred under our intellectual property licenses; and
- facility-related research and development expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expense research and development expenses as incurred. We recognize costs for certain development activities, such as preclinical research and development and clinical trial costs, based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors, collaborators and third-party service providers. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in our consolidated financial statements as prepaid or accrued research and development expenses.

We typically use our employee and infrastructure resources across our product candidates. We track outsourced development costs and milestone payments made under our licensing arrangements by product candidates, but we do not allocate personnel costs, license payments made under our licensing arrangements or other internal costs to product candidates on a program-specific basis. These costs are included in unallocated research and development expenses in the table below.

The following table summarizes our research and development expenses by product candidates for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2021**	**2020**	**2021**	**2020**
SGT-001	$ 6,734	$ 5,603	$ 12,907	$ 15,779
SGT-003 and other product candidates	307	95	499	383
Unallocated research and development expenses				
Personnel related expenses	5,765	5,383	11,277	11,334
External expenses	2,707	2,367	5,036	5,617
Total unallocated research and development expenses	8,472	7,750	16,313	16,951
Total research and development expenses	$ 15,513	$ 13,448	$ 29,719	$ 33,113

We cannot determine with certainty the duration, costs and timing of clinical trials of SGT-001, SGT-003 and our other product candidates or if, when or to what extent we will generate revenue from the commercialization and sale of any of our product candidates for which we obtain marketing approval or our other research and development expenses. We may never succeed in obtaining marketing approval for any of our product candidates. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, expense and results of any clinical trials of SGT-001, SGT-003 or other product candidates and other research and development activities that we may conduct;
- the imposition of regulatory restrictions on clinical trials, including full and partial clinical holds and the time and activities required to lift any such holds;
- uncertainties in clinical trial design and patient enrollment or drop out or discontinuation rates;
- significant and changing government regulation and regulatory guidance;
- potential additional studies or clinical trials requested by regulatory agencies;
- the timing and receipt of any marketing approvals; and
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase for the foreseeable future as we proceed with clinical trials for SGT-001, initiate clinical trials for SGT-003 or any future product candidates and continue to identify and develop additional product candidates.

General and administrative expenses

General and administrative expenses consist primarily of salaries and other related costs, including equity-based compensation, for personnel in our executive, finance, business development and administrative functions. General and administrative expenses also include legal fees relating to patent and corporate matters, professional fees for accounting, auditing, tax and consulting services, insurance costs, travel expenses, and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of office facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we increase our general and administrative personnel headcount to support our research and development activities and activities related to the clinical trials for and potential commercialization of SGT-001, SGT-003 and our other product candidates.

Restructuring charges

In January 2020, we implemented changes to our organizational structure to create a leaner company focused on advancing SGT-001. In connection with the restructuring, we made changes to our management team and reduced headcount by approximately 30 percent.

Other income (expense)

Interest income

Interest income consists of interest income earned on our cash, cash equivalents and available-for-sale securities.

Other income

We have received funding from charitable organizations, which is not considered to be an ongoing major or central part of our business. The amounts received are recorded as other income as services are performed and research expenses are incurred in the consolidated statements of operations.

Income taxes

We account for income taxes using an asset and liability approach, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements but have not been reflected in taxable income. A valuation allowance is established to reduce deferred tax assets to their estimated realizable value.

We account for uncertainty in income taxes recognized in the financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties.

Critical accounting policies and use of estimates

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

During the six months ended June 30, 2021, there were no material changes to our critical accounting policies. Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical accounting policies and use of estimates" in our Annual Report on Form 10-K for the year ended December 31, 2020 and the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1, "Financial Statements (unaudited)," of this quarterly report on Form 10-Q. We believe that of our critical accounting policies, the following accounting policies involve the most judgment and complexity:

- Revenue recognition;
- Accrued research and development expenses; and
- Equity-based compensation.

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Results of operations

Comparison of the three months ended June 30, 2021 and 2020

The following table summarizes our results of operations for the three months ended June 30, 2021 and 2020:

(in thousands)	Three Months Ended June 30, 2021	2020	Increase (decrease)
Collaboration revenue - related party	$ 3,594	$ —	$ 3,594
Operating expenses:			
Research and development	15,513	13,448	2,065
General and administrative	6,766	5,526	1,240
Restructuring charges	—	—	—
Total operating expenses	22,279	18,974	3,305
Loss from operations	(18,685)	(18,974)	289
Other income (expense):			
Interest (expense) income	(13)	(13)	0
Other income	3	—	3
Total other income (expense)	(10)	(13)	3
Net loss	$ (18,695)	$ (18,987)	$ 292

Collaboration revenue

Collaboration revenue for the three months ended June 30, 2021 was $3.6 million, compared to no collaboration revenue for the three months ended June 30, 2020. The increase in collaboration revenue was related to research services and cost reimbursement received under the Collaboration Agreement with Ultragenyx, which we entered into in the fourth quarter of 2020.

Research and development expenses

(in thousands)	Three Months Ended June 30, 2021	2020	Increase (decrease)
SGT-001	$ 6,734	$ 5,603	$ 1,131
SGT-003 and other product candidates	307	95	212
Unallocated research and development expenses			
Personnel related expenses	5,765	5,383	382
External expenses	2,707	2,367	340
Total unallocated research and development expenses	8,472	7,750	722
Total research and development expenses	$ 15,513	$ 13,448	$ 2,065

Research and development expenses for the three months ended June 30, 2021 were $15.5 million, compared to $13.4 million for the three months ended June 30, 2020. The increase of $2.1 million in research and development expenses was primarily due to a $1.1 million increase in costs related to our lead product candidate SGT-001, driven by an increase in manufacturing costs of $1.0 million and in clinical costs of $0.1 million, and an increase in unallocated research and development costs of $0.7 million, primarily due to an increase in personnel related expenses of $0.4 million and an increase in other R&D expenses of $0.3 million as we focus on advancing SGT-001. The increase in research and development was also driven by a $0.2 million increase in costs related to SGT-003 and other product candidates.

General and administrative expenses

General and administrative expenses were $6.8 million for the three months ended June 30, 2021, compared to $5.5 million for the three months ended June 30, 2020. The increase of $1.2 million was due to an increase in personnel related expenses of $0.7 million and an increase in corporate expenses of $0.5 million.

Interest (expense) income

Interest expense was less than $0.1 million for each of the three months ended June 30, 2021 and 2020. The activity was primarily related to the increase in available-for-sale securities included within our portfolio.

Other income

Other income was less than $0.1 million for the three months ended June 30, 2021 compared to no other income for the three months ended June 30, 2020. Other income relates to contributions from charitable organizations. We do not expect these contributions to be significant in future periods.

Comparison of the six months ended June 30, 2021 and 2020

The following table summarizes our results of operations for the six months ended June 30, 2021 and 2020:

(in thousands)	Six Months Ended June 30, 2021	2020	Increase (decrease)
Collaboration revenue - related party	$ 6,929	$ —	$ 6,929
Operating expenses:			
Research and development	29,719	33,113	(3,394)
General and administrative	12,781	10,776	2,005
Restructuring charges	—	1,944	(1,944)
Total operating expenses	42,500	45,833	(3,333)
Loss from operations	(35,571)	(45,833)	10,262
Other income (expense):			
Interest income	(27)	151	(178)
Other income	3	1	2
Total other income (expense)	(24)	152	(176)
Net loss	$ (35,595)	$ (45,681)	$ 10,086

Collaboration revenue

Collaboration revenue for the six months ended June 30, 2021 was $6.9 million, compared to no collaboration revenue for the six months ended June 30, 2020. The increase in collaboration revenue was related to research services and cost reimbursement received under the Collaboration Agreement with Ultragenyx, which we entered into in the fourth quarter of 2020.

Research and development expenses

(in thousands)	Six Months Ended June 30, 2021	2020	Increase (decrease)
SGT-001	$ 12,907	$ 15,779	$ (2,872)
SGT-003 and other product candidates	499	383	116
Unallocated research and development expenses			
Personnel related expenses	11,277	11,334	(57)
External expenses	5,036	5,617	(581)
Total unallocated research and development expenses	16,313	16,951	(638)
Total research and development expenses	$ 29,719	$ 33,113	$ (3,394)

Research and development expenses for six months ended June 30, 2021 were $29.7 million, compared to $33.1 million for the six months ended June 30, 2020. The decrease of $3.4 million in research and development expenses was primarily due to a $2.9 million decrease in costs related to our lead product candidate SGT-001, driven by lower manufacturing costs of $3.0 million offset by an increase in clinical costs of $0.1 million, and a decrease in unallocated research and development costs of $0.6 million, primarily due to a reduction in personnel related expenses of $0.1 million and a decrease in other R&D expenses of $0.5 million. The decrease in research and development was offset by a $0.1 million increase in costs related to SGT-003 and other product candidates.

General and administrative expenses

General and administrative expenses were $12.8 million for the six months ended June 30, 2021, compared to $10.8 million for the six months ended June 30, 2020. The increase of $2.0 million was due to an increase in personnel related expenses of $1.6 million and an increase in corporate expenses of $0.4 million.

Interest (expense) income

Interest expense was less than $0.1 million for the six months ended June 30, 2021, compared to interest income of $0.2 million for the six months ended June 30, 2020. The decrease was primarily related to less interest income earned on the available-for-sale securities in our portfolio.

Other income

Other income was less than $0.1 million for the six months ended June 30, 2021 compared to less than $0.1 million of other income for the six months ended June 30, 2020. Other income relates to contributions from charitable organizations. We do not expect these contributions to be significant in future periods.

Liquidity and capital resources

Sources of liquidity

To date, we have financed our operations primarily through the sale of redeemable preferred units and member units, the sale of common stock and prefunded warrants to purchase shares of our common stock in private placements and the sale of common stock in our initial public offering and a follow-on public offering. Through June 30, 2021, we raised an aggregate of $144.6 million of gross proceeds from our sales of preferred units prior to the completion of our initial public offering, and an aggregate of $471.3 million of net proceeds from the sale of our common stock through public offerings, including our IPO, private placements, our ATM Sales Agreement and pursuant to the stock purchase agreement with Ultragenyx, as detailed in the following paragraphs.

We completed our initial public offering on January 30, 2018, in which we sold 8,984,375 shares of common stock, including the underwriters' over-allotment option, at a public offering price of $16.00 per share, resulting in net proceeds of $129.1 million.

On July 30, 2019, we issued and sold in a private placement (i) 10,607,525 shares of our common stock at a price per share of $4.65 and (ii) 2,295,699 pre-funded warrants to purchase shares of our common stock at a price per warrant of $4.64. Each pre-funded warrant is exercisable for one share of common stock at an exercise price of $0.01 and the pre-funded warrants have no expiration date. We received $57.9 million of net proceeds from the private placement after deducting offering costs. On October 2, 2020, 137,460 of these pre-funded warrants were exercised.

On October 22, 2020, we entered into the Collaboration Agreement with Ultragenyx. In connection with the execution of the Collaboration Agreement, we also entered into a stock purchase agreement with Ultragenyx, pursuant to which we issued and sold 7,825,797 shares of our common stock to Ultragenyx for an aggregate purchase price of approximately $40 million.

On December 15, 2020, we issued and sold in a private placement 24,324,320 shares of our common stock at a price per share of $3.70. We received $86.2 million of net proceeds from the private placement after deducting offering costs.

On March 13, 2019, we entered into the ATM Sales Agreement under which we may offer and sell, from time to time, shares of our common stock having aggregate gross proceeds of up to $50.0 million through Jefferies as sales agent. Any such sales being made by any method that is deemed an "at-the-market offering" as defined in Rule 415 promulgated under the Securities Act. We will pay Jefferies a commission of up to 3% of the gross proceeds of any sales of common stock pursuant to the ATM Sales Agreement. During the six months ended June 30, 2021, we did not sell any shares pursuant to the ATM Sales Agreement. During the year ended December 31, 2020, we sold 6,309,632 shares pursuant to the ATM Sales Agreement resulting in net proceeds of $23.2 million.

On March 23, 2021, we issued and sold in a public offering 25,000,000 shares of our common stock at a price per share of $5.75, including the full exercise by the underwriters of an option to purchase additional shares of common stock, or the March 2021 Offering. We received net proceeds of approximately $134.9 million after deducting underwriter discounts and commissions and offering expenses.

As of June 30, 2021, we had cash, cash equivalents and available-for-sale securities of $249.0 million and had no debt outstanding.

Cash flows

The following table summarizes our sources and uses of cash for each of the periods presented:

(in thousands)	Six Months Ended June 30, 2021	2020	Increase (decrease)
Cash used in operating activities	$ (38,466)	$ (42,342)	$ 3,876
Cash (used in) provided by investing activities	(48,752)	6,740	(55,492)
Cash provided by financing activities	134,916	—	134,916
Net (decrease)/increase in cash, cash equivalents and restricted cash	$ 47,698	$ (35,602)	$ 83,300

Operating activities

During the six months ended June 30, 2021, operating activities used $38.5 million of cash, primarily resulting from our net loss of $35.6 million and cash used in changes in our operating assets and liabilities of $10.9 million offset by non-cash charges of $8.0 million due to equity-based compensation of $6.5 million and depreciation expense of $1.5 million. Net cash used in changes in our operating assets and liabilities during the six months ended June 30, 2021 consisted primarily of a reduction in accrued expenses and other liabilities of $4.8 million, a decrease in deferred revenue of $6.4 million, and an increase in accounts receivable of $0.3 million, offset by a net decrease in prepaid expenses and other assets of $0.6 million.

During the six months ended June 30, 2020, operating activities used $42.3 million of cash, primarily resulting from our net loss of $45.7 million and cash used in changes in our operating assets and liabilities of $5.3 million offset by non-cash charges of $8.7 million due primarily to equity-based compensation of $6.3 million and depreciation expense of $2.4 million. Net cash used in changes in our operating assets and liabilities during the six months ended June 30, 2020 consisted primarily of a reduction in accrued expenses and other liabilities of $1.8 million and a decrease in accounts payable of $3.9 million, partially offset by a net decrease in prepaid expenses and other assets of $0.4 million. These changes were primarily due to the timing of payments.

Investing activities

During the six months ended June 30, 2021, investing activities used $48.8 million of cash, resulting from purchases of available-for-sale securities and property and equipment.

During the six months ended June 30, 2020, investing activities provided $6.7 million of cash, consisting primarily of proceeds from maturities of available-for-sale securities partially offset by purchases of property and equipment, and available-for-sale securities.

Financing activities

During the six months ended June 30, 2021, financing activities provided $134.9 million of cash resulting from the March 2021 Offering.

During the six months ended June 30, 2020, we received no cash from financing activities.

Funding requirements

We expect our expenses to increase substantially in connection with our ongoing development activities related to SGT-001, SGT-003 and our other product candidates. In addition, we expect to incur additional costs associated with operating as a public company. We expect that our expenses will increase substantially if and as we:

- continue to enroll patients in IGNITE DMD and continue clinical development of SGT-001;
- move SGT-003 and other product candidates into clinical trials;
- continue research and preclinical development of SGT-003 and our other product candidates;
- seek to identify additional product candidates;
- seek marketing approvals for our product candidates that successfully complete clinical trials, if any;

- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- arrange for manufacture of larger quantities of our product candidates for clinical development and potential commercialization;
- maintain, expand, protect and enforce our intellectual property portfolio;
- hire and retain additional clinical, quality control and scientific personnel;
- build out new facilities or expand existing facilities to support our activities;
- acquire or in-license other drugs, technologies and intellectual property;
- fund a portion of the development or commercialization of products in collaboration with Ultragenyx pursuant to the Collaboration Agreement; and
- add operational, financial and management information systems and personnel.

As of June 30, 2021, we had cash, cash equivalents and available-for-sale securities of $249.0 million. We believe that our cash, cash equivalents and available-for-sale securities as of June 30, 2021 will be sufficient to fund our operating expenses and capital requirements into the fourth quarter of 2022. As a result, in order to continue to operate our business beyond that time, we will need to raise additional funds. However, there can be no assurance that we will be able to generate funds on terms acceptable to us, on a timely basis, or at all. In addition, we have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently anticipate.

Because of the numerous risks and uncertainties associated with the development of SGT-001, SGT-003 and our other product candidates and programs and because the extent to which we may enter collaborations with third parties for development of our product candidates is unknown, we are unable to estimate the timing and amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements will depend on many factors, including:

- the progress and results of IGNITE DMD and future clinical trials of SGT-001, SGT-003 and our other product candidates;
- the costs, timing and outcome of regulatory review of SGT-001, SGT-003 and our other product candidates;
- the scope, progress, results and costs of discovery, laboratory testing, manufacturing, preclinical development and clinical trials for SGT-003 and our other product candidates that we may pursue in the future, if any;
- the costs associated with our manufacturing process development and evaluation of third-party manufacturers;
- whether we decide to construct and validate our own manufacturing facility and the associated costs;
- revenue, if any, received from commercial sale of SGT-001, SGT-003 or our other product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining, defending and enforcing our intellectual property rights and defending intellectual property-related claims;
- the outcome of any lawsuits filed against us;
- the terms of our current and any future license agreements and collaborations;
- the success of our collaboration with Ultragenyx;
- our ability to establish and maintain additional strategic collaborations, licensing or other arrangements and the financial terms of such arrangements;
- the payment or receipt of milestones, royalties and other collaboration-based revenues, if any;
- the extent to which we acquire or in-license other product candidates, technologies and intellectual property; and
- if and as we need to adapt our business in response to the COVID-19 pandemic and its collateral consequences.

We are supplying, and expect to continue to supply, our clinical development program for SGT-001 with drug product produced at a cGMP compliant facility located at one of our Contract Development Manufacturing Organization partners. We intend to establish the capability and capacity to supply SGT-001 at commercial scale from multiple sources.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval for any product candidates or generate revenue from the sale of any products for which we may obtain marketing approval. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if ever. Accordingly, we will need to obtain substantial additional funds to achieve our business objectives.

Adequate additional funds may not be available to us on acceptable terms, or at all. We do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity securities, our existing stockholders' ownership interest may be diluted. Any debt or preferred equity financing, if available, may involve agreements that include restrictive covenants that may limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, which could adversely impact our ability to conduct our business, and may require the issuance of warrants, which could potentially dilute existing stockholders' ownership interests.

If we raise additional funds through licensing agreements and strategic collaborations with third parties, we may have to relinquish valuable rights to our technology, future revenue streams, research programs, or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds, we may be required to delay, limit, reduce and/or terminate development of our product candidates or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Recently Issued Accounting Pronouncements

See Note 2 to the condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q for information regarding recently adopted and issued accounting pronouncements. See also Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related changes in interest rates. As of June 30, 2021, our cash equivalents consisted of money market accounts that have contractual maturities of less than 90 days from the date of acquisition. As of June 30, 2021, our investments consisted of corporate bond securities that have contractual maturities of less than one year. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the investments in our portfolio, an immediate 10% change in market interest rates would not have a material impact on the fair market value of our investment portfolio or on our financial position or results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our interim Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our President and Chief Executive Officer and our interim Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

You should carefully consider the following risk factors, in addition to the other information contained in this Quarterly Report on Form 10-Q, including the section of this report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes. If any of the events described in the following risk factors and the risks described elsewhere in this Quarterly Report on Form 10-Q occurs, our business, operating results and financial condition could be seriously harmed and the trading price of our common stock could decline. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this Quarterly Report on Form 10-Q.

RISK FACTOR SUMMARY

Our business is subject to a number of risks that if realized could materially affect our business, operating results and financial condition and the trading price of our common stock could decline. These risks are discussed more fully below. These risks include the following:

- We have incurred significant net losses since inception and anticipate that we will continue to incur net losses for the foreseeable future and may never achieve or maintain profitability.
- We will need additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.
- Our independent registered public accounting firm has included an explanatory paragraph relating to our ability to continue as a going concern in its report on our audited financial statements included in our 2020 Annual Report on Form 10-K.
- We have never generated revenue from product sales and do not expect to do so for the next several years, if ever.
- The ongoing COVID-19 pandemic may affect our ability to initiate and complete current or future preclinical studies or clinical trials, disrupt regulatory activities or have other adverse effects on our business and operations.
- In November 2019, the FDA placed IGNITE DMD on clinical hold after we reported a serious adverse event in the clinical trial. Even though the clinical hold was lifted in October 2020 and treatment of patients resumed in February 2021, we cannot guarantee that similar events will not happen in the future.
- SGT-001 is a gene transfer candidate based on a novel technology, which makes it difficult to predict the time and cost of development and of subsequently obtaining regulatory approval.
- Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit their commercial potential or result in significant negative consequences following any potential marketing approval.
- Success in preclinical studies or early clinical trials, including our IGNITE DMD clinical trial, may not be indicative of results obtained in later trials.
- We may encounter substantial delays in our clinical trials or we may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.
- Even if we complete the necessary clinical trials, we cannot predict when, or if, we will obtain regulatory approval to commercialize SGT-001, SGT-003 or our other product candidates and the approval may be for a more narrow indication than we seek.
- We face significant competition.
- We have limited gene transfer manufacturing experience and could experience production problems and delays in obtaining regulatory approval of our manufacturing processes, which could result in delays in the development or commercialization of SGT-001, SGT-003 or our other product candidates.

- Although we may establish our own manufacturing facility, we expect to utilize third parties to conduct our product manufacturing for the foreseeable future. Therefore, we are subject to the risk that these third parties may not perform satisfactorily or meet regulatory requirements.
- Negative public opinion and increased regulatory scrutiny of gene therapy may damage public perception of the safety of our SGT-001 gene transfer product candidate or other gene transfer product candidates and adversely affect our ability to conduct our business or obtain regulatory approvals for SGT-001 or other gene transfer product candidates.
- We rely heavily on our license agreements for rights to intellectual property granted to us by others to develop and commercialize SGT-001.
- If we are unable to obtain and maintain patent protection for our product candidates or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize products similar or identical to ours, and our ability to successfully commercialize our product candidates may be adversely affected.

Risks related to our financial position and need for capital requirements

We have incurred significant net losses since inception and anticipate that we will continue to incur net losses for the foreseeable future and may never achieve or maintain profitability.

Since inception, we have incurred significant net losses. Our net loss was $35.6 million for the six months ended June 30, 2021. Our net losses were $88.3 million and $117.2 million for the years ended December 31, 2020 and 2019, respectively. As of June 30, 2021, we had an accumulated deficit of $440.2 million. To date, we have devoted substantially all of our efforts to research and development, including clinical development of our gene transfer product candidate, SGT-001, as well as to building out our management team and infrastructure. We expect that it could be several years, if ever, before we have a commercialized product. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if, and as, we:

- continue to enroll patients in IGNITE DMD and continue clinical development of SGT-001;
- move SGT-003 or our other product candidates into clinical trials;
- continue research and preclinical development of SGT-003 or our other product candidates;
- seek to identify additional product candidates;
- seek marketing approvals for our product candidates that successfully complete clinical trials, if any;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- arrange for manufacture of larger quantities of our product candidates for clinical development and potential commercialization;
- maintain, expand, protect and enforce our intellectual property portfolio;
- hire and retain additional clinical, quality control and scientific personnel;
- build out new facilities or expand existing facilities to support our activities;
- acquire or in-license other drugs, technologies and intellectual property;
- fund a portion of the development or commercialization of products in collaboration with Ultragenyx pursuant to our collaboration and license agreement with Ultragenyx; and
- add operational, financial and management information systems and personnel.

To become and remain profitable, we must develop and eventually commercialize one or more product candidates with significant market potential. This will require us to be successful in a range of challenging activities, and our expenses will increase substantially as we continue IGNITE DMD and complete clinical trials of SGT-001, obtain marketing approval for SGT-001, develop and validate commercial-scale manufacturing processes, manufacture, market and sell any future product candidates for which we may obtain marketing approval and satisfy any post-marketing requirements. We may never succeed in any or all of these activities and, even if we do, we may never generate revenue that is significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of our company also could cause stockholders to lose all or part of their investment.

We will need additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, conduct clinical trials of, and seek marketing approval for, SGT-001, SGT-003 and our other product candidates. In addition, if we obtain marketing approval for SGT-001, SGT-003 and our other product candidates, we expect to incur significant expenses related to product sales, marketing, manufacturing and distribution. We also incur additional costs associated with operating as a public company. While we believe that our cash, cash equivalents and available-for-sale securities as of June 30, 2021 will be sufficient to fund our operating expenses and capital requirements into the fourth quarter of 2022, we have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently anticipate. In order to continue to operate our business beyond that time, we will need to raise additional funds. However, there can be no assurance that we will be able to generate funds on terms acceptable to us, on a timely basis, or at all. In addition, we anticipate that we will need additional funding to complete the development of SGT-001, SGT-003 and our other product candidates.

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

- the progress and results of IGNITE DMD and future clinical trials of SGT-001, SGT-003 and our other product candidates;
- the costs, timing and outcome of regulatory review of SGT-001, SGT-003 and our other product candidates;
- the scope, progress, results and costs of discovery, laboratory testing, manufacturing, preclinical development and clinical trials for SGT-003 and our other product candidates that we may pursue in the future, if any;
- the costs associated with our manufacturing process development and evaluation of third-party manufacturers;
- whether we decide to construct and validate our own manufacturing facility and the associated costs;
- revenue, if any, received from commercial sale of SGT-001, SGT-003 or our other product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining, defending and enforcing our intellectual property rights and defending intellectual property-related claims;
- the outcome of any lawsuits filed against us;
- the terms of our current and any future license agreements and collaborations;
- the success of our collaboration with Ultragenyx;
- our ability to establish and maintain additional strategic collaborations, licensing or other arrangements and the financial terms of such arrangements;
- the payment or receipt of milestones, royalties and other collaboration-based revenues, if any;
- the extent to which we acquire or in-license other product candidates, technologies and intellectual property; and
- if and as we need to adapt our business in response to the COVID-19 pandemic and its collateral consequences.

Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our product revenue, if any, will be derived from or based on sales of product candidates that may not be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Our independent registered public accounting firm has included an explanatory paragraph relating to our ability to continue as a going concern in its report on our audited financial statements included in our 2020 Annual Report on Form 10-K.

The report from our independent registered public accounting firm for the year ended December 31, 2020 included an explanatory paragraph stating that our losses from operations and required additional funding to finance our operations raise substantial doubt about our ability to continue as a going concern. See Note 1 to the consolidated financial statements included in our 2020 Annual Report on Form 10-K for additional information. Given our planned expenditures, our independent registered public accounting firm may conclude, in connection with the audit of our financial statements for the year ended December 31, 2021 or any other subsequent period, that there is substantial doubt regarding our ability to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our audited financial statements, and it is likely that investors will lose all or a part of their investment. If we seek additional financing to fund our business activities in the future and there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms or at all.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies, SGT-001, SGT-003 or our other product candidates.

We may seek additional capital through a combination of public and private equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership of our common stock will be diluted and the terms may include liquidation or other preferences that adversely affect the rights of our current stockholders. The incurrence of indebtedness would result in increased fixed payment obligations and could involve restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, SGT-001, SGT-003 or our other product candidates, or grant licenses on terms unfavorable to us.

We have never generated revenue from product sales and do not expect to do so for the next several years, if ever.

Our ability to generate revenue from product sales and achieve profitability depends on our ability, alone or with collaborative partners, to successfully complete the development of, and obtain the regulatory approvals necessary to commercialize, SGT-001, SGT-003 and any other product candidates that we may pursue in the future. We do not anticipate generating revenue from product sales for the next several years, if ever. Our ability to generate future revenue from product sales depends heavily on our success in:

- completing research and development of SGT-001, SGT-003 and our other product candidates in a timely and successful manner;
- seeking and obtaining regulatory and marketing approvals for any product candidates for which we complete clinical trials;
- launching and commercializing SGT-001, SGT-003 and any other product candidates for which we obtain regulatory and marketing approval by establishing a sales force and marketing and distribution infrastructure or, alternatively, collaborating with a commercialization partner;
- maintaining and enhancing a commercially viable, sustainable, scalable, reproducible and transferable manufacturing process for SGT-001, SGT-003 and our other product candidates that is compliant with cGMPs;
- establishing and maintaining supply and manufacturing relationships with third parties that can provide adequate, in both amount and quality, products and services to support clinical development and the commercial demand for SGT-001, SGT-003 and our other product candidates, if approved;
- obtaining market acceptance, if and when approved, of SGT-001 or any other product candidate as a viable treatment option by patients, the medical community and third-party payors;
- qualifying for coverage and adequate reimbursement by government and third-party payors for SGT-001, SGT-003 and our other product candidates both in the U.S. and internationally;
- effectively addressing any competing technological and market developments;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations under such arrangements;
- maintaining, protecting, enforcing and expanding our portfolio of intellectual property rights, including patents, trademarks, trade secrets and know-how;
- avoiding and defending against intellectual property infringement, misappropriation and other claims;
- implementing additional internal systems and infrastructure, as needed; and
- attracting, hiring and retaining qualified personnel.

Our limited operating history may make it difficult for our stockholders to evaluate the success of our business to date and to assess our future viability.

We are a development-stage company founded in 2013. Our operations to date, with respect to the development of SGT-001 and other potential product candidates, have been limited to organizing and staffing our company, business planning, raising capital, acquiring rights to our technology, identifying SGT-001 as a potential gene transfer product candidate and undertaking preclinical studies and a clinical trial of that product candidate and establishing research and development and manufacturing collaborations. We have not yet demonstrated the ability to complete clinical trials of SGT-001 or any other product candidate, obtain marketing approvals, manufacture a commercial-scale product or conduct sales and marketing activities necessary for successful commercialization. Consequently, any predictions our stockholders make about our prospects may not be as accurate as they could be if we had a longer operating history.

The ongoing COVID-19 pandemic may affect our ability to initiate and complete current or future preclinical studies or clinical trials, disrupt regulatory activities or have other adverse effects on our business and operations. In addition, this pandemic may continue to adversely impact economies worldwide, which could result in adverse effects on our business and operations.

The ongoing COVID-19 pandemic has caused many governments to implement measures to slow the spread of the outbreak through quarantines, travel restrictions, heightened border scrutiny, and other measures. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. The future progression of the outbreak and its effects on our business and operations are uncertain.

We and our third-party manufacturers for our SGT-001 supply and prospective contract research organizations, or CROs, may face disruptions that may affect our ability to initiate and complete preclinical studies or clinical trials, including disruptions in procuring items that are essential for our research and development activities, including, for example, raw materials used in the manufacturing of our product candidates, and laboratory supplies for our current and future preclinical studies and clinical trials, in each case, for which there may be shortages because of ongoing efforts to address the outbreak. We and our third-party manufacturers and prospective CROs, may face disruptions related to IGNITE DMD or future clinical trials arising from delays in IND-enabling studies, manufacturing disruptions, and the ability to obtain necessary institutional review board or other necessary site approvals, as well as other delays at clinical trial sites.

We may also face difficulties recruiting or enrolling patients for our IGNITE DMD or future clinical trials if patients are affected by the COVID-19 virus or are fearful of visiting or traveling to clinical trial sites because of the outbreak. For example, we experienced a few missed or postponed patient visits due to site closures early in the COVID-19 pandemic. As trial sites and families have developed strategies for safety during the pandemic, we have not seen missed or postponed visits in recent months.

The response to the COVID-19 pandemic may redirect resources with respect to regulatory and intellectual property matters in a way that would adversely impact our ability to progress regulatory approvals and protect our intellectual property. For example, the FDA has announced that in order to bring new therapies to patients sick with COVID-19 as quickly as possible, it has redeployed medical and regulatory staff from other areas to work on COVID-19 therapies. In addition, we may face impediments to regulatory meetings and approvals due to measures intended to limit in-person interactions.

We have modified our business practices, including implementing a work from home policy for all employees who are able to perform their duties remotely. We expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees, and other business partners in light of COVID-19. In the event of a continuation of shelter-in-place orders and/or other mandated local travel restrictions, our employees conducting research and development activities may not be able to access our research space, and our core activities may be significant limited or curtailed, possibly for an extended period of time.

The pandemic has already caused significant disruptions in the financial markets, and may continue to cause such disruptions, which could impact our ability to raise additional funds through public offerings and may also impact the volatility of our stock price and trading in our stock. Moreover, it is possible the pandemic will significantly impact economies worldwide, which could result in adverse effects on our business and operations. We cannot be certain what the overall impact of the COVID-19 pandemic will be on our business and it has the potential to adversely affect our business, financial condition, results of operations and prospects.

Risks related to the development of our product candidates

In November 2019, the FDA placed IGNITE DMD on clinical hold after we reported a serious adverse event in the clinical trial. Even though the clinical hold was lifted in October 2020 and treatment of patients resumed in February 2021, we cannot guarantee that similar events will not happen in the future.

In November 2019, the FDA placed a clinical hold on SGT-001 following a serious adverse event in IGNITE DMD. The third patient in the 2E14 vg/kg cohort of IGNITE DMD, dosed in late October 2019, experienced a serious adverse event deemed related to the study drug that was characterized by complement activation, thrombocytopenia, decrease in red blood cell count, acute kidney injury, and cardio-pulmonary insufficiency. In October 2020, the FDA lifted the clinical hold placed on IGNITE DMD. In connection with the lifting of the clinical hold, we reduced the maximum weight of the next two patients dosed in IGNITE DMD to 18 kg per patient. Additionally, to mitigate the risk of serious drug-related adverse events, we amended the IGNITE DMD clinical protocol to include the prophylactic use of both anti-complement inhibitor eculizumab and C1 esterase inhibitor, and increase the prednisone dose in the first month post dosing. In March 2021, we announced that a seventh patient was safely dosed under the amended protocol, with transient and manageable adverse events, none of which were serious. In April 2021, an eighth patient was treated with SGT-001. The patient experienced a systemic inflammatory response which has since fully resolved. The event was classified as a serious adverse event and considered by the investigator to be drug related. This type of event is described in our Investigators Brochure and is not considered unexpected. Following dosing of these two patients with our second-generation manufacturing process and clinical strategy, we conducted an extensive review of all clinical data, resulting in a strengthened risk mitigation plan including new patient guidance, which has also been submitted to the FDA. We cannot guarantee that similar serious adverse events or clinical holds will not happen in the future.

Even though the FDA lifted the clinical hold in October 2020, additional preclinical studies or clinical trials involving SGT-001, further amendments to the SGT-001 enrollment criteria and/or clinical trial protocol or changes to our manufacturing process may be needed, which may prove difficult to implement and/or complete. In such instance, our progress in the development of SGT-001 may be significantly slowed or stopped and the associated costs may be significantly increased, adversely affecting our business, and our stock price would likely decline. Furthermore, even though the FDA lifted the clinical hold, we may nonetheless face difficulties in recruiting patients to enroll in, or retain patients in IGNITE DMD if patients or their caregivers are affected by the COVID-19 virus or are fearful of traveling to, or are unable to travel to, our clinical trial sites because of the COVID-19 pandemic.

In addition, we may not be able to obtain institutional review board committee, or IRB, or data safety monitoring board approvals for IGNITE DMD as a result of the now lifted clinical hold or any related risks, which could further delay our ability to open new trial sites and enroll patients into the clinical trial. Any delay in enrolling patients or inability to continue or complete our clinical trial of SGT-001, as a result of the now lifted clinical hold or otherwise, will delay or terminate our clinical development plans for SGT-001, may require us to incur additional clinical development costs and could impair our ability to ultimately obtain FDA approval for SGT-001. Delays in the completion of any clinical trial of SGT-001 or any other product candidate will increase our costs, slow down our product candidate development and approval process and delay or potentially jeopardize our ability to commence product sales and generate revenue. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of SGT-001, SGT-003 or our other product candidates.

SGT-001 is a gene transfer candidate based on a novel technology, which makes it difficult to predict the time and cost of development and of subsequently obtaining regulatory approval. To our knowledge, only a limited number of gene transfer products have been approved for commercialization in the United States and the European Union.

We have concentrated our research and development efforts on SGT-001 for the treatment of Duchenne and our future success depends on our successful development of that product candidate. Our risk of failure is high. We have experienced, and may in the future experience, problems or delays in developing SGT-001. Any such problems or delays would cause unanticipated costs, and any development problems may not be solved. For example, we or another party may uncover a previously unknown risk associated with SGT-001, the adeno-associated virus, or AAV, vector, toxicity or other issues that may be more problematic than we currently believe and this may prolong the period of observation required for obtaining, or result in the failure to obtain, regulatory approval or may necessitate additional clinical testing.

In addition, the product specifications and the clinical trial requirements of the FDA, the European Commission, the European Medicines Agency (EMA), and other regulatory authorities and the criteria these regulators use to determine the safety and efficacy of a product candidate vary substantially according to the type, complexity, novelty and intended use and market of such product candidate. The regulatory approval process for novel product candidates such as ours is unclear and can be more expensive and take longer than for other, better known or more extensively studied product candidates. To our knowledge, only a limited number of gene transfer products have been approved for commercialization in the United States and the European Union. As a result, it is difficult to determine how long it will take or how much it will cost to obtain regulatory approvals for SGT-001 in either the United States or the European Union. Approvals by the European Commission may not be indicative of what the FDA may require for approval and vice versa.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit their commercial potential or result in significant negative consequences following any potential marketing approval.

During the conduct of clinical trials, patients may experience changes in their health, including illnesses, injuries, discomforts or a fatal outcome. Often, it is not possible to determine whether the product candidate being studied caused these conditions. For instance, we reported a serious adverse event in IGNITE DMD, which resulted in a clinical hold in November 2019, which has since been resolved, and previously the FDA had placed IGNITE DMD on clinical hold after we reported another serious adverse event. In April 2021, the eighth patient treated with IGNITE DMD experienced a systemic inflammatory response which has since fully resolved. The event was classified as a serious adverse event and considered by the investigator to be drug related.

In addition, it is possible that as we test SGT-001, SGT-003 or our other product candidates in larger, longer and more extensive clinical programs, or as use of these product candidates becomes more widespread if they receive regulatory approval, illnesses, injuries, discomforts and other adverse events that were observed in earlier clinical trials, as well as conditions that did not occur or went undetected in previous clinical trials, will be reported by subjects. Many times, side effects are only detectable after investigational products are tested in large-scale, Phase III clinical trials or, in some cases, after they are made available to patients on a commercial scale after approval. If additional clinical experience indicates that SGT-001 or any other product candidate has side effects or causes serious or life-threatening side effects, the development of the product candidate may fail or be delayed, or, if the product candidate has received regulatory approval, such approval may be revoked.

There have been several significant adverse side effects in gene therapy treatments in the past, including reported cases of leukemia and death seen in other clinical trials using other vectors. While new recombinant vectors have been developed with the intent to reduce these side effects, gene therapy is still a relatively new approach to disease treatment and additional adverse side effects could develop. Patients will create antibodies to the AAV vector and a second administration of gene transfer might not be successful. There also is the potential risk of delayed adverse events following exposure to gene therapy products due to persistent biologic activity of the genetic material or other components of products used to carry the genetic material. Possible adverse side effects that may occur with treatment with gene therapy products include an immunologic reaction early after administration that could substantially limit the effectiveness of the treatment or represent safety risks for patients. Additionally, in previous clinical trials involving AAV vectors for gene therapy, some subjects experienced the development of a positive ELISPOT test associated with T-cell responses, which is of unclear clinical translatability. If T-cells are activated, the cellular immune response system may trigger the removal of transduced cells. If our gene transfer candidate demonstrates a similar effect, we may decide or be required to halt or delay further clinical development of SGT-001.

As part of our preclinical program, we performed necessary good laboratory practices, or GLP, toxicology studies to establish the overall safety profile of SGT-001 in wild-type mice and non-human primates, or NHPs. The data and our conclusions from these studies were included in our IND submission to the FDA. Systemic administration of SGT-001 was generally well tolerated in both species. We observed no evidence of test-article-related toxicity for up to 13 weeks after systemic administration of SGT-001 in either species that would prevent us from initiating clinical trials. In the NHP study, test-article-related effects were self-limited, mild chemistry and hematology changes with no microscopic correlates at the end of the study. There was a transient and asymptomatic increase in liver function enzymes observed in NHPs starting on day 9, which returned to normal levels by day 21. We believe there were no other relevant test-article-related adverse events associated with SGT-001 administration in either GLP study. In the NHP toxicology study, a single animal from the high dose cohort was euthanized after it did not recover from an anesthetic procedure. We believe this event was attributed to procedural errors. However, AAV vector cannot be completely ruled out as a contributing factor to the toxicity that gave rise to the event.

In addition to side effects caused by SGT-001, SGT-003 and our other product candidates, the administration process or related procedures also can cause adverse side effects. For example, integration of AAV DNA into the host cell’s genome has been reported to occur. Further, our AAV delivery system has not been validated in human clinical trials previously, and if such delivery system does not meet the safety criteria or cannot provide the desired efficacy results, then we may be forced to suspend or terminate our development of SGT-001. In addition, the relatively high dosing requirements for SGT-001 may amplify the risk of adverse side effects relating to the AAV vector. When James M. Wilson, M.D., Ph.D., resigned from our Scientific Advisory Board in early 2018 he cited emerging concerns about the possible risks of high systemic dosing of AAV. If any such adverse side effects were to occur in the future and we are unable to demonstrate that they were not caused by the administration process or related procedures, the FDA, the European Commission, the EMA or other regulatory authorities could order us to cease further development of, or deny approval of, SGT-001 or any other product candidate for any or all targeted indications. Even if we are able to demonstrate that any serious adverse events are not product-related, such occurrences could affect patient recruitment or the ability of enrolled patients to complete the clinical trial.

Additionally, if SGT-001, SGT-003 or our other product candidates receive marketing approval, the FDA could require us to adopt a Risk Evaluation and Mitigation Strategy, or REMS, to ensure that the benefits outweigh the risks, which may include, among other things, a medication guide outlining the risks of the product for distribution to patients and a communication plan to health care practitioners. Furthermore, if we or others later identify undesirable side effects caused by SGT-001, SGT-003 or our other product candidates, several potentially significant negative consequences could result, including:

- regulatory authorities may suspend or withdraw approvals of such a product candidate;
- regulatory authorities may require additional warnings on the label;
- we may be required to change the way a product candidate is administered or conduct additional clinical trials;

- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

We have never completed a clinical trial, and may be unable to do so for any product candidates we may develop, including SGT-001.

We will need to successfully complete clinical trials in order to obtain FDA approval to market SGT-001, SGT-003 or our other product candidates. We have limited experience in preparing, submitting and prosecuting regulatory filings, and have not previously submitted a biologics license application, or BLA, for any product candidate.We cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin or to begin as proposed, or that, once begun, issues will not arise that suspend or terminate such clinical trials. Carrying out later-stage clinical trials and the submission of a successful BLA is a complicated process. This may be particularly true for design of a pivotal trial for the treatment of Duchenne as the FDA has not given clear guidance as to the necessary endpoints for approval of a treatment for Duchenne. In addition, we cannot be certain how many clinical trials of SGT-001, SGT-003 or our other product candidates will be required or how such trials should be designed. 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 SGT-001, SGT-003 or our other product candidates. We may require more time and incur greater costs than our competitors and may not succeed in obtaining regulatory approvals of product candidates that we develop. Failure to commence or complete, or delays in, clinical trials, could prevent us from or delay us in commercializing SGT-001, SGT-003 and our other product candidates.

In the past, we have made changes to the IGNITE DMD protocol, and these changes, and any other such changes that may be made in the future, may impact our development timeline and result in increased costs and expenses.

Success in preclinical studies or early clinical trials, including our IGNITE DMD clinical trial, may not be indicative of results obtained in later trials.

Results from preclinical studies or early clinical trials, including our IGNITE DMD clinical trial, are not necessarily predictive of future clinical trial results and are not necessarily indicative of final results. Our preclinical studies for SGT-001 in animals have been limited and we have only dosed a limited number of human subjects with SGT-001. There is a high failure rate for gene therapy and biologic products proceeding through clinical trials. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials even after achieving promising results in preclinical testing and earlier-stage clinical trials. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval. We also may experience regulatory delays or rejections as a result of many factors, including due to changes in regulatory policy during the period of our product candidate development. SGT-001, SGT-003 or our other product candidates may fail to show the desired safety and efficacy in clinical development despite positive results in preclinical studies. This failure would cause us to abandon SGT-001, SGT-003 or our other product candidates.

Preliminary or interim data that we announce or publish from time to time may change as more data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may announce or publish preliminary or interim data from clinical trials. Positive preliminary or interim data may not be predictive of such trial's subsequent or overall results. Preliminary or interim data are subject to the risk that one or more of the outcomes may materially change as more data become available. Additionally, preliminary or interim data are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Therefore, positive preliminary or interim data in any ongoing clinical trial may not be predictive of such results in the completed trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully evaluate all data. As a result, preliminary or interim data that we report may differ from future results from the same clinical trials, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Preliminary or interim data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary or interim data we previously published. As a result, preliminary or interim data should be viewed with caution until the final data are available. Material adverse changes in the final data compared to preliminary or interim data could significantly harm our business prospects.

We may encounter substantial delays in our clinical trials or we may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.

Before obtaining marketing approval from regulatory authorities for the sale of SGT-001, SGT-003 or our other product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of the product candidate for its intended indications. Clinical testing is expensive, time-consuming and uncertain as to outcome. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical trials can occur at any stage of testing. Events that may prevent successful or timely completion of clinical development include:

- delays in reaching a consensus with regulatory authorities on trial design;
- delays in reaching agreement with the appropriate external parties on dose escalation;
- delays in enrolling patients in IGNITE DMD for SGT-001;
- delays in reaching agreement on acceptable terms with prospective CROs and clinical trial sites;
- delays in opening clinical trial sites or obtaining required IRB or independent ethics committee approval at each clinical trial site;
- delays in recruiting suitable subjects to participate in our clinical trials, including because such trials may be placebo-controlled trials and patients are not guaranteed to receive treatment with our product candidates;
- failure by us, any CROs we engage or any other third parties to adhere to clinical trial requirements;
- failure to perform in accordance with FDA good clinical practices, or GCPs, or applicable regulatory guidelines in the European Union and other countries;
- delays in the testing, validation, manufacturing and delivery of SGT-001, SGT-003 or our other product candidates to the clinical sites, including delays by third parties with whom we have contracted to perform certain of those functions;
- delays in subjects completing participation in a trial or returning for post-treatment follow-up;
- clinical trial sites or subjects dropping out of a trial;
- selection of clinical endpoints that require prolonged periods of clinical observation or analysis of the resulting data;
- imposition of a clinical hold by regulatory authorities as a result of a serious adverse event or after an inspection of our clinical trial operations, trial sites or manufacturing facilities;
- occurrence of serious adverse events in trials of the same class of agents conducted by other sponsors;
- delays as a result of the COVID-19 pandemic or from the outbreak of another pandemic or contagious disease or other global instability could delay IGNITE DMD, or the commencement or rate of completion of any other clinical trial; or
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols.

Additionally, if the results of any clinical trials are inconclusive or if there are safety concerns or serious adverse events associated with SGT-001, SGT-003 or our other product candidates, we may:

- be delayed or fail in obtaining marketing approval for SGT-001, SGT-003 or our other product candidates;
- obtain approval for indications or patient populations that are not as broad as we intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- be subject to changes in the way our products, if approved, are administered;
- be required to perform additional clinical trials to support approval or be subject to additional post-marketing testing requirements;
- have regulatory authorities withdraw, or suspend, their approval of the product or impose restrictions on its distribution in the form of a modified REMS;
- be sued and held liable for harm caused to patients; or
- experience damage to our reputation.

Our product development costs will increase if we experience delays in testing or marketing approvals. In addition, if we make manufacturing or other changes to SGT-001, SGT-003 or our other product candidates, we may need to conduct additional studies to bridge our modified product candidates to earlier versions. We do not know whether any of our preclinical studies or clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. We may also determine to change the design or protocol of one or more of our clinical trials, which could result in delays. Significant preclinical study or clinical trial 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 and impair our ability to successfully commercialize our product candidates.

If our third-party clinical trial vendors fail to comply with strict regulations, the clinical trials for SGT-001, SGT-003 or our other product candidates may be delayed or unsuccessful.

We do not have the personnel capacity to conduct or manage the clinical trials that will be necessary for the development of SGT-001, SGT-003 or our other product candidates. For IGNITE DMD we are relying, and for any future clinical trials we expect we will rely, on third parties to assist us in managing, monitoring and conducting our clinical trials. If these third parties fail to comply with applicable regulations or do not adequately fulfill their obligations under the terms of our agreements with them, we may not be able to enter into alternative arrangements without undue delay or additional expenditures and, therefore, the clinical trials for SGT-001, SGT-003 or our other product candidates may be delayed or unsuccessful.

Furthermore, the FDA can be expected to inspect some or all of the clinical sites participating in our clinical trials to determine if our clinical trials are being conducted according to GCPs. If the FDA determines that these clinical sites are not in compliance with applicable regulations, we may be required to delay, repeat or terminate the clinical trials.

We may find it difficult to enroll patients in our clinical trials, which could delay or prevent us from proceeding with clinical trials of SGT-001, SGT-003 or our other product candidates.

Identifying and qualifying patients to participate in any clinical trials of SGT-001, SGT-003 and our other product candidates is critical to our success. The timing of any clinical trials depends on our ability to recruit patients to participate as well as complete required follow-up periods. If patients are unwilling or unable to participate in our gene therapy clinical trials, including because of negative publicity from adverse events related to our product candidates, other approved gene therapies or the biotechnology or gene therapy fields, or due to competitive clinical trials for similar patient populations, clinical trials in products employing our vector or our platform or for other reasons, the timeline for recruiting patients, conducting clinical trials and obtaining regulatory approval of SGT-001 may be delayed. We may also experience delays if patients withdraw from the clinical trial or do not complete the required monitoring period. Furthermore, we may face difficulties in recruiting patients to enroll in, or retaining patients in, IGNITE DMD if they or their caretakers are affected by the COVID-19 virus or are fearful of traveling to, or are unable to travel to, our clinical trial sites because of the COVID-19 pandemic. These delays could result in increased costs, delays in advancing SGT-001, SGT-003 or our other product candidates, delays in testing the effectiveness of SGT-001, SGT-003 and our other product candidates or termination of clinical trials altogether.

We may not be able to identify, recruit and enroll a sufficient number of patients, or those with required or desired characteristics, to complete any clinical trials in a timely manner. Patient enrollment and trial completion is affected by many factors, including:

- size of the patient population and the process for identifying subjects;
- design of the trial protocol;
- eligibility and exclusion criteria, including that some patients may have pre-existing antibodies to AAV vectors precluding them from being able to receive AAV-mediated gene transfer;
- restrictions on our ability to conduct clinical trials, including full and partial clinical holds on ongoing or planned clinical trials;
- perceived risks and benefits of the product candidate under study;
- perceived risks and benefits of gene therapy-based approaches to the treatment of diseases;
- release or disclosure of data from our completed or ongoing clinical trials;
- availability of competing therapies and clinical trials;
- severity of the disease;
- proximity and availability of clinical trial sites for prospective subjects;
- ability to obtain and maintain subject consent;
- risk that enrolled subjects will drop out before completion of the trial;

- patient referral practices of physicians;
- ability to monitor subjects adequately during and after treatment; and
- in the case of pivotal trials, the risk that patients may opt not to enroll because they are not assured treatment with our product candidate.

In November 2019, the FDA placed our IGNITE DMD clinical trial of SGT-001 on clinical hold following our report of a serious adverse event in the clinical trial. In April 2020, we submitted a response to the FDA, that included changes to the clinical protocol designed to potentially enhance patient safety, as well as information related to improvements to our manufacturing process. The FDA responded by maintaining the clinical hold and requesting further data and analyses relating to this manufacturing process. In June 2020, we submitted a response to the FDA that provided data and analyses related to improvements to our manufacturing process. In July 2020, we announced that the FDA responded by maintaining the clinical hold and requesting further manufacturing information and updated safety and efficacy data for all patients dosed in the trial, as well as providing direction on the total viral load to be administered per patient. In October 2020, we announced that the FDA lifted the clinical hold placed on the IGNITE DMD clinical trial. Even though the FDA lifted the clinical hold, additional preclinical studies or clinical trials involving SGT-001, further amendments to the SGT-001 enrollment criteria and/or clinical trial protocol or changes to our manufacturing process may be needed from time to time, which may prove difficult to implement and/or complete, and we may face difficulties in recruiting and enrolling such patients. Our ability to successfully initiate, enroll and complete a clinical trial in any foreign country is subject to numerous risks unique to conducting business in foreign countries, including:

- different standards for the conduct of clinical trials;
- absence in some countries of established groups with sufficient regulatory expertise for review of gene therapy protocols;
- difficulty in identifying and partnering with qualified local consultants, physicians and partners; and
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology research and products.

Even if we complete the necessary clinical trials, we cannot predict when, or if, we will obtain regulatory approval to commercialize SGT-001, SGT-003 or our other product candidates and the approval may be for a more narrow indication than we seek.

We cannot commercialize SGT-001, SGT-003 or our other product candidates until the appropriate regulatory authorities have reviewed and approved the product candidate. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state and local statutes and regulations require the expenditure of substantial time and financial resources and we may not be able to obtain the required regulatory approvals. Even if our product candidates meet their safety and efficacy endpoints in clinical trials, the regulatory authorities may not complete their review processes in a timely manner, or we may not be able to obtain regulatory approval. Additional delays may result if an FDA advisory committee or other regulatory authority recommends non-approval or restrictions on approval. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action or changes in regulatory authority policy during the period of product development, clinical trials and the regulatory review process.

Further, disruptions at the FDA and other agencies may prolong the time necessary for new drugs to be reviewed or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. The Trump Administration also took several executive actions that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities, but those Executive Orders were rescinded by President Biden.

Even if we receive regulatory approval, regulatory authorities may approve a product candidate for more limited indications than requested or they may impose significant limitations in the form of narrow indications, warnings or a REMS. Regulatory authorities may require precautions or contra-indications with respect to conditions of use or they may grant approval subject to the performance of costly post-marketing clinical trials. In addition, regulatory authorities may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

Even if we obtain regulatory approval for a product candidate, our product candidates will remain subject to regulatory oversight.

Even if we obtain any regulatory approval for SGT-001, SGT-003 or our other product candidates, we will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping and submission of safety and other post-market information. Any regulatory approvals that we receive for our product candidates may also be subject to a REMS, limitations on the approved indicated uses for which the product may be marketed or conditions of approval, or requirements for potentially costly post-marketing testing, including Phase IV clinical trials, and surveillance to monitor the quality, safety and efficacy of the product. Advertising and promotional materials must comply with FDA rules and are subject to FDA review, in addition to other potentially applicable federal and state laws.

In addition, later discovery of previously unknown adverse events or other problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may have various consequences, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions and warnings on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of our products;
- product seizure;
- injunctions or the imposition of civil or criminal penalties; or
- litigation involving patients using our products. Non-compliance with European Union requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs applicable to drug manufacturers or quality assurance standards applicable to medical device manufacturers, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, any contract manufacturers we may engage in the future, our future collaborators and their contract manufacturers will also be subject to other regulatory requirements, including submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements regarding the distribution of samples to clinicians, recordkeeping, and costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product such as the requirement to implement a REMS

Even if we obtain and maintain approval for SGT-001, SGT-003 or our other product candidates from the FDA, we may never obtain approval for our product candidates outside of the United States, which would limit our market opportunities and adversely affect our business.

Even if we receive FDA approval of SGT-001, SGT-003 or our other product candidates in the United States, approval of a product candidate in the United States by the FDA does not ensure approval of such product candidate by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. Future sales of our product candidates outside of the United States will be subject to foreign regulatory requirements governing clinical trials, manufacturing and marketing approval. Approval procedures vary among

jurisdictions and can involve requirements and administrative review periods different from, and more onerous than, those in the United States, including additional preclinical studies or clinical trials. In many countries outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that country. We intend to submit a marketing authorization application, or MAA, to the EMA for approval of SGT-001 in the European Union, but obtaining such approval from the European Commission following the opinion of the EMA is a lengthy and expensive process. Regulatory authorities in countries outside of the United States and the European Union also have requirements for approval of product candidates with which we must comply prior to marketing in those countries. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of SGT-001, SGT-003 or our other product candidates in certain countries.

Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Also, regulatory approval for SGT-001, SGT-003 or our other product candidates may be withdrawn. If we fail to comply with the regulatory requirements, our target market will be reduced, and our ability to realize the full market potential of our product candidates will be harmed.

Regulatory requirements governing gene therapy products are periodically updated and may continue to change in the future.

The FDA has established the Office of Tissues and Advanced Therapies, or the OTAT, within the Center for Biologics Evaluation and Research, or the CBER, to consolidate the review of gene therapy and related products, and has established the Cellular, Tissue and Gene Therapies Advisory Committee to advise CBER in its review. Gene therapy clinical trials conducted at institutions that receive funding for recombinant DNA research from the U.S. National Institutes of Health, or the NIH, also are potentially subject to review by the Office of Biotechnology Activities' Recombinant DNA Advisory Committee, or the RAC; however, the NIH announced that the RAC will only publicly review clinical trials if the trials cannot be evaluated by standard oversight bodies and pose unusual risks. Although the FDA decides whether individual gene therapy protocols may proceed, the RAC public review process, if undertaken, can delay the initiation of a clinical trial, even if the FDA has reviewed the trial design and details and approved its initiation. Conversely, the FDA can put an IND on a clinical hold even if the RAC has provided a favorable review or an exemption from in-depth, public review. If we were to engage an NIH-funded institution to conduct a clinical trial, that institution's institutional biosafety committee, or IBC, as well as its IRB would need to review the proposed clinical trial to assess the safety of the trial. In addition, adverse developments in clinical trials of gene therapy products conducted by others may cause the FDA or other oversight bodies to change the requirements for approval of our product candidates.

The FDA has issued various guidance documents regarding gene therapies, including recent final guidance documents released in January 2020 relating to chemistry, manufacturing and controls information for gene therapy INDs, gene therapies for rare diseases and gene therapies for retinal disorders. Although the FDA has indicated that these and other guidance documents it previously issued are not legally binding, we believe that our compliance with them is likely necessary to gain approval for any gene therapy product candidate we may develop. The guidance documents provide additional factors that the FDA will consider at each of the above stages of development and relate to, among other things, the proper preclinical assessment of gene therapies; the chemistry, manufacturing, and control information that should be included in an IND application; the proper design of tests to measure product potency in support of an IND or BLA application; and measures to observe delayed adverse effects in subjects who have been exposed to investigational gene therapies when the risk of such effects is high. Further, the FDA usually recommends that sponsors observe subjects for potential gene therapy-related delayed adverse events for a 15-year period, including a minimum of five years of annual examinations followed by 10 years of annual queries, either in person or by questionnaire.

Further, for a gene therapy product, the FDA also will not approve the product if the manufacturer is not in compliance with good tissue practices, or GTP. These standards are found in FDA regulations and guidances that govern the methods used in, and the facilities and controls used for, the manufacture of human cells, tissues, and cellular and tissue based products, or HCT/Ps, which are human cells or tissue intended for implantation, transplant, infusion, or transfer into a human recipient. The primary intent of the GTP requirements is to ensure that cell and tissue based products are manufactured in a manner designed to prevent the introduction, transmission, and spread of communicable disease. FDA regulations also require tissue establishments to register and list their HCT/Ps with the FDA and, when applicable, to evaluate donors through screening and testing.

Similarly, the EMA may issue new guidelines concerning the development and marketing authorization for gene therapy products and require that we comply with these new guidelines. The grant of marketing authorization in the European Union for gene therapy products is governed by Regulation 1394/2007/EC on advanced therapy medicinal products, read in combination with Directive 2001/83/EC of the European Parliament and of the Council, commonly known as the Community code on medicinal products. Regulation 1394/2007/EC includes specific rules concerning the authorization, supervision, and pharmacovigilance of gene therapy medicinal products. Manufacturers of advanced therapy medicinal products must demonstrate the quality, safety, and efficacy of their products to the EMA, which provides an opinion regarding the MAA. The European Commission grants or refuses marketing authorization in light of the opinion delivered by the EMA.

Finally, ethical, social and legal concerns about gene therapy, genetic testing and genetic research could result in additional regulations or prohibiting the processes we may use. Federal and state agencies, congressional committees and foreign governments have expressed their intentions to further regulate biotechnology. More restrictive regulations or claims that our product candidates are unsafe or pose a hazard could prevent us from commercializing any products. New government requirements may be established that could delay or prevent regulatory approval of our product candidates under development. It is impossible to predict whether legislative changes will be enacted, regulations, policies or guidance changed, or interpretations by agencies or courts changed, or what the impact of such changes, if any, may be.

As we advance our product candidates through clinical development, we will be required to consult with these regulatory and advisory groups, and comply with applicable guidelines. These regulatory review committees and advisory groups and any new guidelines they promulgate may lengthen the regulatory review process, require us to perform additional studies, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of SGT-001, SGT-003 or our other product candidates or lead to significant post-approval limitations or restrictions. Delay or failure to obtain, or unexpected costs in obtaining, the regulatory approval necessary to bring a potential product to market could decrease our ability to generate sufficient product revenue.

We may not be able to benefit from orphan drug designation for SGT-001 or any of our product candidates.

The FDA and EMA granted SGT-001 orphan drug designation for the treatment of Duchenne in August 2016 and September 2016, respectively. The designation of SGT-001 as an orphan drug does not guarantee that any regulatory agency will accelerate regulatory review of, or ultimately approve, that product candidate, nor does it limit the ability of any regulatory agency to grant orphan drug designation to product candidates of other companies that treat the same indications as our product candidate prior to our product candidate receiving exclusive marketing approval.

We may lose orphan drug exclusivity if the FDA or EMA determines that the request for designation was materially defective or if we cannot assure sufficient quantity of the applicable drug to meet the needs of patients with Duchenne.

Even if we maintain orphan drug exclusivity for SGT-001 or obtain orphan drug exclusivity for any other product candidate, the exclusivity may not effectively protect the product candidate from competition because regulatory authorities still may authorize different drugs for the same condition or the same drug for the same condition if it is determined by the FDA to be clinically superior to the product with orphan drug exclusivity. Moreover, the concept of what constitutes the “same drug” for purposes of orphan drug exclusivity remains in flux in the context of gene therapies, and the FDA issued draft guidance in January 2020 suggesting that it would not consider two gene therapy products to be different drugs solely based on minor differences in the transgenes or vectors.

We may seek a breakthrough therapy designation for SGT-001, SGT-003 or our other product candidates, but we might not receive such designation, and even if we do, such designation may not lead to a faster development or regulatory review or approval process.

We may seek a breakthrough therapy designation for SGT-001, SGT-003 or our other product candidates; however, we cannot assure our stockholders that SGT-001, SGT-003 or our other product candidates will meet the criteria for that designation. A breakthrough therapy is defined as a therapy that is intended, alone or in combination with one or more other therapies, to treat a serious condition, and preliminary clinical evidence indicates that the therapy may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For therapies and biologics that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Therapies designated as breakthrough therapies by the FDA may also be eligible for priority review if supported by clinical data at the time the new drug application is submitted to the FDA.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe that one of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. Even if we receive breakthrough therapy designation, the receipt of such designation for a product candidate may not result in a faster development or regulatory review or approval process compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualifies as a breakthrough therapy, the FDA may later decide that the product candidate no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

Accelerated approval by the FDA, even if granted for SGT-001, SGT-003 or our other product candidates, may not lead to a faster development or regulatory review or approval process and it does not increase the likelihood that our product candidates will receive marketing approval.

We may seek approval of SGT-001, SGT-003 or our other product candidates using the FDA's accelerated approval pathway. A product may be eligible for accelerated approval if it treats a serious or life-threatening condition and generally provides a meaningful advantage over available therapies. In addition, it must demonstrate an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, or IMM, that is reasonably likely to predict an effect on IMM or other clinical benefit. The FDA or other applicable regulatory agency makes the determination regarding whether a surrogate endpoint is reasonably likely to predict long-term clinical benefit. Given that expression of microdystrophin has not yet been established to predict long-term clinical benefit, it is not currently accepted, and it is possible the FDA and/or other applicable regulatory agencies could decide never to accept it, as a surrogate endpoint for the accelerated approval pathway.

As a condition of approval, the FDA may require that a sponsor of a drug or biologic product candidate receiving accelerated approval perform adequate and well-controlled post-marketing clinical trials. These confirmatory trials must be completed with due diligence. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

Even if we do receive accelerated approval, we may not experience a faster development or regulatory review or approval process and receiving accelerated approval does not provide assurance of ultimate FDA approval.

A potential regenerative medicine advanced therapy designation by the FDA for our product candidates may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our product candidates will receive marketing approval.

We may seek a regenerative medicine advanced therapy designation, or RMAT, for some of our product candidates. A regenerative medicine advanced therapy is defined as cell therapies, therapeutic tissue engineering products, human cell and tissue products, and combination products using any such therapies or products. Gene therapies, including genetically modified cells, that lead to a durable modification of cells or tissues may meet the definition of a regenerative medicine therapy. The regenerative medicine advanced therapy program is intended to facilitate efficient development and expedite review of regenerative medicine advanced therapies, which are intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition. A new drug application or a BLA for a regenerative medicine advanced therapy may be eligible for priority review or accelerated approval through (1) surrogate or intermediate endpoints reasonably likely to predict long-term clinical benefit or (2) reliance upon data obtained from a meaningful number of sites. Benefits of such designation also include early interactions with the FDA to discuss any potential surrogate or intermediate endpoint to be used to support accelerated approval. A regenerative medicine therapy that is granted accelerated approval and is subject to post-approval requirements may fulfill such requirements through the submission of clinical evidence, clinical studies, patient registries, or other sources of real world evidence, such as electronic health records; the collection of larger confirmatory data sets; or post-approval monitoring of all patients treated with such therapy prior to its approval.

Designation as a regenerative medicine advanced therapy is within the discretion of the FDA. Accordingly, even if we believe one of our product candidates meets the criteria for designation as a regenerative medicine advanced therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a regenerative medicine advanced therapy designation for a product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as regenerative medicine advanced therapies, the FDA may later decide that the biological products no longer meet the conditions for qualification.

The FDA has granted Rare Pediatric Disease Designation, or RPDD, to SGT-001; however, a BLA for SGT-001 may not meet the eligibility criteria for a priority review voucher upon approval.

With enactment of the Food and Drug Administration Safety and Innovation Act in 2012, Congress authorized the FDA to award priority review vouchers to sponsors of certain rare pediatric disease product applications that meet the criteria specified in the law. This provision is designed to encourage development of new drug and biological products for prevention and treatment of certain rare pediatric diseases. Specifically, under this program, a sponsor who receives an approval for a drug or biologic for a "rare pediatric disease" may qualify for a voucher that can be redeemed to receive a priority review of a subsequent marketing application for a different product. The sponsor of a rare pediatric disease drug product receiving a priority review voucher may transfer (including by sale) the voucher to another sponsor. The voucher may be further transferred any number of times before the voucher is used, as long as the sponsor making the transfer has not yet submitted the application.

For the purposes of this program, a "rare pediatric disease" is a (a) serious or life-threatening disease in which the serious or life-threatening manifestations primarily affect individuals aged from birth to 18 years, including age groups often called neonates, infants, children, and adolescents; and (b) rare disease or conditions within the meaning of the Orphan Drug Act. The FDA has granted Rare Pediatric Disease designation to SGT-001. The FDA may determine, however, that a BLA for SGT-001, SGT-003 or our other product candidates does not meet the eligibility criteria for a priority review voucher upon approval.

The passage of the 21st Century Cures Act in December 2016 extended the Rare Pediatric Disease Priority Review Voucher Program, authorizing the FDA to award vouchers through September 30, 2022, for drugs with rare pediatric disease designation granted by September 30, 2020. On September 30, 2020, Congress provided a short-term extension of the Priority Review Voucher Program. On December 27, 2020, the Rare Pediatric Disease Priority Review Voucher Program was further extended. Under the current statutory sunset provisions, after September 30, 2024, FDA may only award a voucher for an approved rare pediatric disease product application if the sponsor has rare pediatric disease designation for the drug, and that designation was granted by September 30, 2024. After September 30, 2026, FDA may not award any rare pediatric disease priority review vouchers. If we do not obtain approval of a BLA by these dates, and if the Rare Pediatric Disease Priority Review Voucher Program is not further extended by congressional action, we may not receive a Priority Review Voucher.

The FDA has granted fast track designation for SGT-001. However, such designation may not actually lead to a faster development or regulatory review or approval process. We might not receive such designation for SGT-003 or our other product candidates.

If a therapy is intended for the treatment of a serious condition and nonclinical or clinical data demonstrate the potential to address unmet medical need for this condition, a drug sponsor may apply for FDA fast track designation. The FDA has granted fast track designation to SGT-001; however, fast track designation does not ensure that we will receive marketing approval or that approval will be granted within any particular timeframe. We may not experience a faster development or regulatory review or approval process with fast track designation compared to conventional FDA procedures. In addition, the FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program. Fast track designation alone does not guarantee qualification for the FDA's priority review procedures.

We may seek priority review designation for SGT-001, SGT-003 or our other product candidates, but we might not receive such designation, and even if we do, such designation may not lead to a faster development or regulatory review or approval process.

If the FDA determines that a product candidate offers a treatment for a serious condition and, if approved, the product would provide a significant improvement in safety or effectiveness, the FDA may designate the product candidate for priority review. A priority review designation means that the goal for the FDA to review an application is six months, rather than the standard review period of ten months. We may request priority review for our product candidates, however, we cannot assume that SGT-001, SGT-003 or our other product candidates will meet the criteria for that designation. The FDA has broad discretion with respect to whether or not to grant priority review status to a product candidate, so even if we believe a particular product candidate is eligible for such designation or status, the FDA may decide not to grant it. Moreover, a priority review designation does not necessarily mean a faster development or regulatory review or approval process or necessarily confer any advantage with respect to approval compared to conventional FDA procedures. Receiving priority review from the FDA does not guarantee approval within the six-month review cycle or at all.

We face significant competition and our competitors may achieve regulatory approval before us or develop therapies that are more advanced or effective than ours, which may adversely affect our ability to successfully market or commercialize SGT-001, SGT-003 or our other product candidates.

We operate in a highly competitive segment of the biopharmaceutical market. We face competition from many different sources, including larger and better-funded pharmaceutical, specialty pharmaceutical and biotechnology companies, as well as from academic institutions, government agencies and private and public research institutions. Our product candidates, if successfully developed and approved, will compete with established therapies as well as with new treatments that may be introduced by our competitors. There are a variety of product candidates, including gene therapies, in development for Duchenne. Many of our competitors have significantly greater financial, product candidate development, manufacturing and marketing resources than we do. Large pharmaceutical and biotechnology companies have extensive experience in clinical testing and obtaining regulatory approval for their products, and mergers and acquisitions within these industries may result in even more resources being concentrated among a smaller number of larger competitors. Smaller and other 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 trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

For example, we are aware of several companies and research institutions focused on developing systemic gene transfers for Duchenne, including Pfizer Inc., with a product candidate currently in Phase III clinical development, and Sarepta Therapeutics, Inc., with a product candidate currently in Phase I/II clinical trial development.

Our commercial opportunity could be reduced or eliminated if competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, have broader market acceptance, are more convenient or are less expensive than any product candidate that we may develop.

We are aware of several companies focused on developing gene therapies in various indications, as well as several companies addressing other methods for modifying genes and regulating gene expression. Any advances in gene therapy technology made by a competitor may be used to develop therapies that could compete against SGT-001 or any future gene therapy product candidates we develop.

We may fail to capitalize on other potential product candidates that may represent a greater commercial opportunity or for which there is a greater likelihood of success.

The success of our business depends upon our ability to develop and commercialize SGT-001, SGT-003 and our other product candidates. Because we have limited resources, we may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential than SGT-001, SGT-003 or our other product candidates. For example, in January 2020, in connection with implementing our strategic plan to create a leaner company focused on advancing SGT-001, we curtailed certain activities supporting our other research and development programs.

In addition, in October 2020, we entered into a collaboration and license agreement with Ultragenyx, pursuant to which we granted Ultragenyx an exclusive worldwide license under certain intellectual property rights controlled by us to develop AAV8 or other clade E AAV variant pharmaceutical products that express our MD5 nNOS binding domain form of microdystrophin protein for the treatment of Duchenne and other disease indications resulting from a lack of functional dystrophin, which we refer to as the Licensed Products.

Our spending on current and future research and development programs may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaborations, licensing or other arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. Alternatively, we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement. If any of these events occur, we may be forced to abandon our development efforts with respect to a particular product candidate or fail to develop a potentially successful product candidate.

Risks related to the manufacturing and commercialization of SGT-001, SGT-003 and our other product candidates

We have entered into, and may in the future enter into, collaborations with third parties for the development or commercialization of our product candidates. If our collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates and our business could be adversely affected.

In October 2020, we entered into a collaboration and license agreement with Ultragenyx, pursuant to which we granted Ultragenyx an exclusive worldwide license under certain intellectual property rights controlled by us to develop the Licensed Products.

While we have retained all rights to and are developing on our own SGT-001, we may in the future enter into development, distribution or marketing arrangements with third parties with respect to SGT-001, SGT-003 or future product candidates. Our likely collaborators for any such sales, marketing, distribution, development, licensing or broader collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. If we enter into any such arrangements with any third parties in the future, we will likely 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 revenues from these arrangements will depend on our collaborators' abilities and efforts to successfully perform the functions assigned to them in these arrangements.

Collaborations that we enter into, including our collaboration with Ultragenyx, may not be successful, and any success will depend heavily on the efforts and activities of such collaborators. Collaborations pose a number of risks, including the following:

- collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to these collaborations;

- collaborators may not perform their obligations as expected;
- collaborators may not pursue development of our product candidates or may elect not to continue or renew development programs based on results of clinical trials or other studies, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may not pursue commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew commercialization programs based on results of clinical trials or other studies, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that may divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- we may not have access to, or may be restricted from disclosing, certain information regarding product candidates being developed or commercialized under a collaboration and, consequently, may have limited ability to inform our stockholders about the status of such product candidates on a discretionary basis;
- collaborators, including Ultragenyx, could develop products that compete directly or indirectly with our product candidates and products pursuant to the collaboration;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates and products if the collaborators believe that the competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- a collaborator may fail to comply with applicable regulatory requirements regarding the development, manufacture, distribution or marketing of a product candidate or product;
- a collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;
- disagreements with collaborators, including disagreements over intellectual property or proprietary rights, contract interpretation or the preferred course of development, might cause delays or terminations of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly obtain, maintain, enforce, defend or protect our intellectual property or proprietary rights or may use our proprietary information in such a way as to potentially lead to disputes or legal proceedings that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- disputes may arise with respect to the ownership of intellectual property developed pursuant to our collaborations;
- collaborators may infringe, misappropriate or otherwise violate the intellectual property or proprietary rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator, and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner, or at all. If any collaborations that we enter into do not result in the successful development and commercialization of products or if one of our collaborators terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of our product candidates could be delayed and we may need additional resources to develop our product candidates. All of the risks relating to product development, regulatory approval and commercialization described herein also apply to the activities of our collaborators.

Additionally, subject to its contractual obligations to us, if a collaborator of ours is involved in a business combination, the collaborator might deemphasize or terminate the development or commercialization of any product candidate licensed to it by us. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators and our perception in the business and financial communities could be adversely affected.

We may not be successful in finding strategic collaborators for continuing development of SGT-001, SGT-003 or our other product candidates or successfully commercializing or competing in the market for certain indications.

We may seek to establish strategic partnerships for developing SGT-001, SGT-003 or our other product candidates due to capital costs required to develop, manufacture and commercialize our product candidates. We may not be successful in our efforts to establish such strategic partnerships or other alternative arrangements because, among other things, our research and development pipeline may be insufficient, SGT-001 may be deemed to be at too early of a stage of development for collaborative effort or third parties may not view SGT-001 as having the requisite potential to demonstrate safety and efficacy. We cannot be certain that, following a strategic transaction, we will achieve an economic or business benefit that justifies such transaction. If we seek to but are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms or at all, we may have to curtail, reduce or delay the development of a product candidate, delay its potential commercialization, reduce the scope of any sales or marketing activities or increase our expenditures and undertake development, manufacturing or commercialization activities independently. If we elect to fund our own independent development or commercialization activities, we will need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development, manufacturing and commercialization activities, we may not be able to further develop SGT-001, SGT-003 or our other product candidates.

We have limited gene transfer manufacturing experience and could experience production problems and delays in obtaining regulatory approval of our manufacturing processes, which could result in delays in the development or commercialization of SGT-001, SGT-003 or our other product candidates.

The manufacturing process we use to produce SGT-001 is complex and has not been validated for commercial use. We have no experience manufacturing SGT-001, SGT-003 and our other product candidates. Building our own manufacturing facility, if we decide to do so in the future, would require substantial additional investment, would be time-consuming and may be subject to delays, including those resulting from compliance with regulatory requirements. In addition, building a manufacturing facility may cost more than we currently anticipate. Although we may establish our own manufacturing facility to support a commercial launch, if we are unable to do so or otherwise decide not to do so, we may be unable to produce commercial materials or meet demand, if any should develop, for SGT-001, SGT-003 and our other product candidates. Any such failure could delay or prevent our commercialization of SGT-001, SGT-003 or our other product candidates. The production of SGT-001 requires processing steps that are more complex than those required for most chemical pharmaceuticals. Moreover, unlike chemical pharmaceuticals, the physical and chemical properties of a gene transfer product candidate such as ours generally cannot be fully characterized. As a result, assays of the finished product may not be sufficient to ensure that the product will perform in the intended manner. Accordingly, we employ multiple steps to control our manufacturing process to assure that the process works and that SGT-001 is made strictly and consistently in compliance with the process. As a result of the limited number of FDA approvals for gene transfer products to date, the timeframe required for us to obtain approval for a cGMP gene therapy manufacturing facility in the United States is uncertain. We must supply all necessary documentation in support of a BLA or MAA on a timely basis and must adhere to the FDA's and the European Union's cGMP requirements before we can obtain marketing approval for SGT-001, SGT-003 and our other product candidates. In order to obtain approval, we will need to ensure that all of our processes, methods and equipment are compliant with cGMP requirements, and perform extensive audits of contract laboratories, manufacturers and suppliers.

We currently rely on third-party manufacturers for our SGT-001 supply. In order to produce sufficient quantities of SGT-001 for clinical trials and initial U.S. commercial demand, we continue to further optimize and increase the capacity of our manufacturing process at our third-party manufacturer, and potentially through our own commercial-scale manufacturing facility. We may need to change our current manufacturing process. We may not be able to produce sufficient quantities of SGT-001 due to several factors, including equipment malfunctions, facility contamination, material shortages or contamination, natural disasters, a public health issue (for example, an outbreak of a contagious disease such as the COVID-19 pandemic), disruption in utility services, human error or disruptions in the operations of our suppliers. For example, through our contract manufacturer we have performed and released within specifications manufacturing runs of SGT-001 for clinical supply and have experienced variability with respect to the success and yield of these runs. We continue to engage in process development activities to improve the reproducibility, reliability, quality and consistency of yields of our manufacturing process. While we are able to produce for more than one patient from a single batch, additional manufacturing runs will be required to produce necessary or adequate supply for IGNITE DMD and there is no guarantee that all of those runs will be within specifications or produce adequate supply. If we are not able to produce sufficient supply on the timeline expected, our overall development schedule for SGT-001 could be delayed, and we could incur additional expense.

If supply from a manufacturing facility is interrupted, including as a result of equipment malfunctions, facility contamination, material shortages or contamination, natural disasters, the COVID-19 pandemic or another public health issue, disruption in utility services or human error, there could be a significant disruption in supply of SGT-001, SGT-003 or our other product candidates. In such instance, we may need to locate appropriate replacement third-party manufacturers, and we may not be able to enter into arrangements with such additional third-party manufacturers on favorable terms or at all. Use of new third-party manufacturers could increase the risk of delays in production or insufficient supplies of our product candidates as we transfer our manufacturing technology to these manufacturers and as they gain experience manufacturing our product candidates.

In addition, product manufacturers and their facilities are subject to payment of user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP requirements and adherence to commitments made in the BLA or foreign marketing application. If we, or a regulatory authority, 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 relative to that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing.

In addition, the FDA, the EMA and other foreign regulatory authorities may require us to submit samples of any lot of any approved product together with the protocols showing the results of applicable tests at any time. Under some circumstances, the FDA, the EMA or other foreign regulatory authorities may require that we not distribute a lot until the agency authorizes its release. Lot failures or product recalls could cause us to delay or abandon clinical trials or product launches.

We also may encounter problems hiring and retaining the experienced specialist scientific, quality control and manufacturing personnel needed to operate our manufacturing process, which could result in delays in our production or difficulties in maintaining compliance with applicable regulatory requirements.

Any problems in our manufacturing process or facilities could make us a less attractive collaborator for potential partners, including larger pharmaceutical companies and academic research institutions, which could limit our access to additional attractive development programs. Problems in our manufacturing process or facilities also could restrict our ability to meet market demand for SGT-001, SGT-003, our other product candidates or future product candidates.

Although we may establish our own manufacturing facility, we expect to utilize third parties to conduct our product manufacturing for the foreseeable future. Therefore, we are subject to the risk that these third parties may not perform satisfactorily or meet regulatory requirements.

Until such time, if ever, as we establish a manufacturing facility that has been properly validated to comply with FDA cGMP requirements, we will not be able to independently manufacture material for our current and future clinical programs. For clinical trials of SGT-001, we are utilizing, and expect to continue to utilize, and for clinical trials of SGT-003 and our other product candidates, we expect to utilize, materials manufactured by cGMP-compliant third-party suppliers. Even following our potential establishment of a validated cGMP manufacturing facility, we intend to utilize third-party manufacturing capabilities in order to provide multiple sources of supply. In the event that the establishment of our own manufacturing facility is delayed or not otherwise pursued and if these third-party manufacturers do not successfully carry out their contractual duties, meet expected deadlines or manufacture SGT-001, SGT-003 and our other product candidates in accordance with regulatory requirements or if there are disagreements between us and these third-party manufacturers, we may not be able to complete, or may be delayed in completing, the clinical trials required for approval of SGT-001, SGT-003 and our other product candidates. In such instances, we may need to locate an appropriate replacement third-party relationship, which may not be readily available or on acceptable terms, which would cause additional delay or increased expense prior to the approval of our product candidates.

Additionally, we rely on our third-party manufacturers for their compliance with the cGMP and their maintenance of adequate quality control, quality assurance and qualified personnel. Furthermore, all of our third-party suppliers and manufacturers are engaged with other companies to supply and/or manufacture materials or products for such companies, which exposes them to regulatory risks for the production of such materials and products. FDA inspections may identify compliance issues at third-party manufacturer facilities or at the facilities of third-party suppliers that may disrupt production or distribution, or require substantial resources to correct and prevent recurrence of any deficiencies, and could result in fines or penalties by regulatory authorities. In addition, discovery of problems with a product or the failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved BLA, including withdrawal or recall of the product from the market or other voluntary, FDA-initiated or judicial action, including fines, injunctions, civil penalties, license revocations, seizure, total or partial suspension of production or criminal penalties, any of which could significantly and adversely affect supplies of our product candidates.

In addition, we do not currently have long-term supply or manufacturing arrangements in place for the production of SGT-001, SGT-003 and our other product candidates at commercial scale. Although we intend to establish additional sources for long-term supply, potentially including our own commercial-scale cGMP-compliant manufacturing facility and one or more third-party manufacturers, if the gene therapy industry were to grow, we may encounter increasing competition for the materials necessary for the production of SGT-001, SGT-003 or our other product candidates. We may experience difficulties in scaling up production beyond clinical batches. Furthermore, demand for third-party cGMP manufacturing facilities may grow at a faster rate than existing manufacturing capacity, which could disrupt our ability to find and retain third-party manufacturers capable of producing sufficient quantities of SGT-001, SGT-003 or our other product candidates for future clinical trials or to meet initial commercial demand in the United States. We currently rely, and expect to continue to rely, on additional third parties to manufacture materials for our product candidates and to perform quality testing. Even following the potential establishment of our own cGMP-compliant manufacturing capabilities, we intend to maintain third-party manufacturers for these materials, as well as to serve as additional sources of SGT-001, SGT-003 and our other product candidates, which will expose us to risks including:

- reduced control of manufacturing activities;
- the inability of certain contract manufacturing organizations, or CMOs, to produce our product candidates in the necessary quantities, or in compliance with current cGMP or in compliance with pertinent regulatory requirements and within our planned time frame and cost parameters;
- termination or nonrenewal of manufacturing and service agreements with third parties in a manner or at a time that is costly or damaging to us; and
- disruptions to the operations of our third-party manufacturer and our and their suppliers caused by conditions unrelated to our business or operations, including the bankruptcy of the manufacturer or supplier, natural disasters or public health issues.

Any of these events could lead to clinical trial delays or failure to obtain regulatory approval or impact our ability to successfully commercialize SGT-001, SGT-003 or our other product candidates. Some of these events could be the basis for FDA action, including injunction, recall, seizure or total or partial suspension of product manufacture.

If we are unable to establish sales, distribution and marketing capabilities or enter into agreements with third parties to market and sell SGT-001, SGT-003 and our other product candidates, we will be unable to generate any product revenue.

We currently have no sales, distribution or marketing organization. To successfully commercialize any product candidate that may result from our development programs, we will need to develop these capabilities, either on our own or with others. The establishment and development of our own commercial team or the establishment of a contract sales force to market any product candidate we may develop will be expensive and time-consuming and could delay any product launch. Moreover, we cannot be certain that we will be able to successfully develop this capability. We may enter into collaborations regarding SGT-001, SGT-003 and our other product candidates with other entities to utilize their established marketing and distribution capabilities, but we may be unable to enter into such agreements on favorable terms, if at all. If any future collaborators do not commit sufficient resources to commercialize our product candidates, or we are unable to develop the necessary capabilities on our own, we will be unable to generate sufficient product revenue to sustain our business. We compete with many companies that currently have extensive, experienced and well-funded sales, distribution and marketing operations to recruit, hire, train and retain marketing and sales personnel. We also face competition in our search for third parties to assist us with the sales and marketing efforts of SGT-001, SGT-003 and our other product candidates. Without an internal team or the support of a third party to perform marketing and sales functions, we may be unable to compete successfully against these more established companies.

If we are unable to establish medical affairs capabilities, we will be unable to establish an educated market of physicians to administer SGT-001, SGT-003 or our other product candidates.

We currently have no medical affairs team. If we are unable to successfully build a medical affairs team to address scientific and medical questions and provide expert guidance and education in the application, administration and utilization of SGT-001, SGT-003 and our other product candidates to physicians, we may not be able to establish an educated market for our products. The establishment and development of our own medical affairs team will be expensive and time-consuming and could delay any product launch. Moreover, we cannot be certain that we will be able to successfully develop this capability.

If the market opportunities for SGT-001 are smaller than we believe they are, our revenue prospects may be adversely affected and our business may suffer.

We currently focus our research and product development on treatments for Duchenne. Our understanding of the patient population with this disease is based on estimates in published literature and by Duchenne foundations. These estimates may prove to be incorrect and new studies may reduce the estimated incidence or prevalence of this disease. The number of patients in the United States, the European Union and elsewhere may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our product candidate or patients may become increasingly difficult to identify and access.

Further, there are several factors that could contribute to making the actual number of patients who receive SGT-001 less than the potentially addressable market. These include the lack of widespread availability of, and limited reimbursement for, new therapies in many underdeveloped markets. Further, the severity of the progression of a degenerative disease such as Duchenne up to the time of treatment will likely diminish the therapeutic benefit conferred by a gene therapy due to irreversible cell damage.

Certain patients' immune systems might prohibit the successful delivery of certain gene therapy products, thereby potentially limiting the population of patients amenable to gene transfer.

As with many AAV-mediated gene therapy approaches, certain patients' immune systems might prohibit the successful delivery of certain gene therapy products, thereby potentially limiting the population of patients amenable to gene transfer. While we are working to better understand the prevalence of antibodies to AAV, or seroprevalence, as it relates to gene therapies for Duchenne, the exact Duchenne-wide seroprevalence is currently unknown and it varies by AAV serotype and age. We may not be able to address this potentially limiting factor for gene therapy as a treatment for certain patients.

The commercial success of any of our product candidates, including SGT-001, if approved, will depend upon market acceptance by physicians, patients, third-party payors and others in the medical community.

Even with the requisite approvals from the FDA in the United States, the European Commission in the European Union and other regulatory authorities internationally, the commercial success of SGT-001 will depend, in part, on the acceptance of physicians, patients and health care payors of gene therapy products in general, and SGT-001 in particular, as medically necessary, cost-effective and safe. Any product that we commercialize may not gain acceptance by physicians, patients, health care payors and others in the medical community due to ethical, social, medical and legal concerns. If these products do not achieve an adequate level of acceptance, we may not generate significant product revenue and may not become profitable. The degree of market acceptance of gene therapy products and, in particular, SGT-001, if approved for commercial sale, will depend on multiple factors, including:

- the efficacy and safety of SGT-001 as demonstrated in clinical trials;
- the efficacy and potential and perceived advantages of SGT-001 over alternative treatments;
- the cost of treatment relative to alternative treatments;
- the clinical indications for which SGT-001 is approved by the FDA or the European Commission;
- the willingness of physicians to prescribe new therapies;
- the willingness of the target patient population to try new therapies;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of the FDA, the EMA or other regulatory authorities, including any limitations or warnings contained in a product's approved labeling;
- relative convenience and ease of administration;
- the strength of marketing and distribution support;
- the timing of market introduction of competitive products;
- the availability of products to meet market demand;
- publicity concerning our product candidates or competing products and treatments;
- any restrictions on the use of our products together with other medications; and
- favorable third-party payor coverage and adequate reimbursement.

Even if a potential product candidate displays a favorable efficacy and safety profile in preclinical studies and clinical trials, market acceptance of the product will not be fully known until after it is launched.

Our efforts to educate the medical community and third-party payors on the benefits of SGT-001, SGT-003 and our other product candidates may require significant resources and may never be successful. Such efforts may require more resources than are typically required due to the complexity and uniqueness of our potential product candidates. If SGT-001, SGT-003 or our other product candidates are approved but fail to achieve market acceptance among physicians, patients or third-party payors, we will not be able to generate significant revenue from any such product.

Our gene transfer approach utilizes a vector derived from a virus, which may be perceived as unsafe or may result in unforeseen adverse events. Negative public opinion and increased regulatory scrutiny of gene therapy may damage public perception of the safety of our SGT-001 gene transfer product candidate and other gene transfer product candidates and adversely affect our ability to conduct our business or obtain regulatory approvals for SGT-001 or other gene transfer product candidates.

Gene transfer remains a novel technology and public perception may be influenced by claims that gene transfer is unsafe, and gene transfer may not gain the acceptance of the public or the medical community. In particular, our success will depend upon physicians who specialize in the treatment of Duchenne prescribing treatments that involve the use of SGT-001 in lieu of, or in addition to, other treatments with which they are more familiar and for which greater clinical data may be available. More restrictive government regulations or negative public opinion may delay or impair the development and commercialization of SGT-001 or demand for any product candidate we may develop. A public backlash developed against gene therapy following the death of a patient in 1999 during a gene therapy clinical trial of research subjects with ornithine transcarbamylase, or OTC, deficiency, a rare disorder in which the liver lacks a functional copy of the OTC gene. The death of the clinical trial subject was due to complications of adenovirus vector administration. Dr. James M. Wilson, former chair of our Scientific Advisory Board, was a co-investigator of the 1999 trial while he was Director of the Institute for Human Gene Therapy of the University of Pennsylvania. Serious adverse events in our clinical trials, including the events that led to the previously-lifted clinical holds on IGNITE DMD or other clinical trials involving gene transfer products or our competitors' products, even if not ultimately attributable to the relevant product candidates, and the resulting publicity, could result in increased government regulation, unfavorable public perception, potential regulatory delays in the testing or approval of SGT-001, stricter labeling requirements for SGT-001 if approved and a decrease in demand for SGT-001.

Any contamination in our manufacturing process, shortages of materials or failure of any of our key suppliers to deliver necessary components could result in interruption in the supply of our product candidates and delays in our clinical development or commercialization schedules.

Given the nature of biologics manufacturing, there is a risk of contamination in our manufacturing processes. Any contamination could materially adversely affect our ability to produce SGT-001 on schedule and could cause reputational damage.

Some of the materials required in our manufacturing process are derived from biologic sources. Such materials are difficult to procure and may be subject to contamination or recall. A material shortage, contamination, recall or restriction on the use of biologically derived substances in the manufacture of SGT-001 could adversely impact or disrupt the commercial manufacturing or the production of clinical material, which could materially and adversely affect our development timelines.

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

There is significant uncertainty related to third-party coverage and reimbursement of newly approved products. We expect the cost of a single administration of gene transfer products, such as those we are developing, to be substantial, when and if they achieve regulatory approval. We expect that coverage and reimbursement by government and private payors will be essential for most patients to be able to afford these treatments. Accordingly, sales of SGT-001, if approved, will depend substantially, both domestically and abroad, on the extent to which the costs of SGT-001 will be paid by health maintenance, managed care, pharmacy benefit and similar health care management organizations, or will be reimbursed by government authorities, private health coverage insurers and other third-party payors. Coverage and reimbursement by a third-party payor may depend upon several factors, including the third-party payor's determination that use of a product is:

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

Obtaining coverage and reimbursement for a product from third-party payors is a time-consuming and costly process that could require us to provide to the payor supporting scientific, clinical and cost-effectiveness data. If coverage and reimbursement are not available, or are available only at limited levels, we may not be able to successfully commercialize SGT-001, SGT-003 and our other product candidates. Even if coverage is provided, the approved reimbursement amount may not be adequate to realize a sufficient return on our investment.

To our knowledge, only a limited number of gene transfer products have been approved for coverage and reimbursement by the Centers for Medicare & Medicaid Services, or the CMS, the agency responsible for administering the Medicaid program. It is difficult to predict what the CMS will decide with respect to coverage and reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these types of products either in the United States or the European Union. For example, several cancer drugs have been approved for reimbursement in the United States and have not been approved for reimbursement in certain European Union member states and vice versa. It is difficult to predict what third-party payors will decide with respect to the coverage and reimbursement for SGT-001, SGT-003 and our other product candidates.

Governments outside the United States tend to impose strict price controls, which may adversely affect our revenue, if any.

Outside the United States, international operations generally are subject to extensive government price controls and other market regulations, and increasing emphasis on cost-containment initiatives in the European Union, Canada and other countries may put pricing pressure on us. In general, the prices of therapeutics outside the United States are substantially lower than in the United States. Other countries may allow companies to fix their own prices for therapeutics, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulations could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our product candidates may be reduced compared with the United States and may be insufficient to generate commercially reasonable product revenue.

Additionally, in countries where the pricing of gene therapy products is subject to governmental control, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. 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 candidate to other available therapies. Reimbursement of our products may be unavailable or limited in scope or amount, which would adversely affect our revenue, if any.

If we obtain approval to commercialize SGT-001, SGT-003 and our other product candidates outside of the United States, in particular in the European Union, a variety of risks associated with international operations could materially adversely affect our business.

We expect that we will be subject to additional risks in commercializing SGT-001, SGT-003 and our other product candidates outside the United States, including:

- different regulatory requirements for approval of therapeutics in foreign countries;
- reduced protection for intellectual property rights;
- the existence of additional third-party patent rights of potential relevance to our business;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- foreign reimbursement, pricing and insurance regimes;
- production shortages resulting from any events affecting 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 failure to comply with applicable foreign regulatory requirements may result in, among other things, fines, suspension, variation or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Additionally, we could face heightened risks with respect to seeking marketing approval in the United Kingdom as a result of the recent withdrawal of the United Kingdom from the European Union, commonly referred to as Brexit. The United Kingdom and European Union entered into a Trade and Cooperation Agreement in connection with Brexit that sets out certain procedures for approval and recognition of medical products in each jurisdiction. Since the regulatory framework for pharmaceutical products in the United Kingdom covering the quality, safety, and efficacy of pharmaceutical products, clinical trials, marketing authorization, commercial sales, and distribution of pharmaceutical products is derived from European Union directives and regulations, Brexit could materially impact the future regulatory regime that applies to products and the approval of product candidates in the United Kingdom. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of the Trade and Cooperation Agreement would prevent us from commercializing any product candidates in the United Kingdom and/or the European Union and restrict our ability to generate revenue and achieve and sustain profitability. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom and/or European Union for any product candidates, which could significantly and materially harm our business.

If we engage in future acquisitions or strategic collaborations, this may increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic collaboration may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product candidates and initiatives in pursuing such acquisition or strategic collaboration;
- retention of key employees, the loss of key personnel and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or collaboration or even to offset transaction costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition or collaboration opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

Risks related to our business operations

Our future success depends on our ability to retain key employees, consultants and advisors and to attract, retain and motivate qualified personnel.

We are highly dependent on members of our executive team, the loss of whose services may adversely impact the achievement of our objectives. While we have entered into employment agreements with certain of our executive officers, any of them could leave our employment at any time. We currently do not have "key person" insurance on any of our employees. The loss of the services of one or more of our current key employees might impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining other qualified employees, consultants and advisors for our business, including scientific and technical personnel, also will be critical to our success. There currently is a shortage of skilled individuals with substantial gene therapy experience, which is likely to continue. As a result, competition for skilled personnel, including in gene therapy research and vector manufacturing, is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies and academic institutions for individuals with similar skill sets. In addition, the failure to succeed in preclinical or clinical trials or applications for marketing approval may make it more challenging to recruit and retain qualified personnel. The inability to recruit, or loss of services of certain executives, key employees, consultants or advisors, may impede the progress of our research, development and commercialization objectives.

Our strategic plan and the associated workforce reduction announced in January 2020 could result in total costs and expenses that are greater than expected and could disrupt our business.

In January 2020, we announced a reduction in workforce by approximately one third as part of a strategic plan designed to create a leaner company focused on advancing SGT-001. We cannot guarantee that we will not have to undertake additional workforce reductions or restructuring activities in the future. Furthermore, our strategic restructuring plan may be disruptive to our operations. For example, our workforce reductions could yield unanticipated consequences, such as attrition beyond planned staff reductions, or increase difficulties in our day-to-day operations. Our workforce reductions could also harm our ability to attract and retain qualified management, scientific, clinical, manufacturing and sales and marketing personnel who are critical to our business. Any failure to attract or retain qualified personnel could prevent us from successfully developing and commercializing our product candidates in the future.

If we are unable to manage growth in the scale and complexity of our operations, our performance may suffer.

If we are successful in executing our business strategy, we will need to expand our managerial, operational, financial and other systems and resources to manage our operations, continue our research and development activities and, in the longer term, build a commercial infrastructure to support commercialization of SGT-001 and any other product candidate that is approved for sale. Future growth would impose significant added responsibilities on members of management. It is likely that our management, finance, development personnel, systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and any future product candidates requires that we continue to develop more robust business processes and improve our systems and procedures in each of these areas and to attract and retain sufficient numbers of talented employees. We may be unable to successfully implement these tasks on a larger scale and, accordingly, may not achieve our research, development and growth goals.

Our employees may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk of employee fraud or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, provide accurate information to the FDA or comparable foreign regulatory authorities, comply with manufacturing standards, comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, report financial information or data accurately or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. This could include violations of the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, other U.S. federal and state law, and requirements of non-U.S. jurisdictions, including the European Union Data Protection Directive. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards, regulations, guidance or codes of conduct. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may set.

Our business and financial prospects could be affected by changes in health care spending and policy in the United States and abroad. We operate in a highly regulated industry and new laws or judicial decisions, or new interpretations of existing laws or decisions, related to health care availability, the method of delivery or payment for health care products and services could negatively impact our business, operations and financial condition.

For example, in the United States there is significant interest in promoting health care reform, as evidenced by the enactment of the Patient Protection and Affordable Care Act and the companion Health Care and Education Reconciliation Act, or the Health Care Reform Law. The Health Care Reform Law increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of health care generally, to reduce fraud and abuse, and to provide access to increased health coverage.

The Health Care Reform Law also imposed substantial changes to the U.S. system for paying for health care, including programs to extend medical benefits to millions of individuals who have lacked insurance coverage. Generally, implementation of the Health Care Reform Law has thus far included significant cost-saving, revenue and payment reduction measures with respect to, for example, several government health care programs that might cover our products in the United States, should they be commercialized, including Medicaid and Medicare. Additional downward pricing pressure associated with the Health Care Reform Law includes that

the Health Care Reform Law established and provided significant funding for a Patient-Centered Outcomes Research Institute to coordinate and fund Comparative Effectiveness Research, as those terms are defined in the Health Care Reform Law. While the stated intent of Comparative Effectiveness Research is to develop information to guide providers to the most efficacious therapies, outcomes of Comparative Effectiveness Research could influence the reimbursement or coverage for therapies that are determined to be less cost-effective than others. Should any of our products be approved for sale, but then determined to be less cost-effective than alternative therapies, the levels of reimbursement for these products, or the willingness to reimburse at all, could be adversely impacted.

In addition to legislative changes resulting from the passage of the Health Care Reform Law, other legislative changes have been proposed and adopted since the Health Care Reform Law was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2029 unless additional Congressional action is taken. The Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, suspended the 2% Medicare sequester from May 1, 2020 through December 31, 2020, and extended the sequester by one year, through 2030. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Since enactment of the Health Care Reform Law, there have been, and continue to be, numerous legal challenges and Congressional actions to repeal and replace provisions of the law. For example, with enactment of the Tax Cuts and Jobs Act of 2017, or the TCJA, Congress repealed the "individual mandate." The repeal of this provision of the Health Care Reform Law, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Further, on December 14, 2018, a U.S. District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseverable feature of the Health Care Reform Law, and therefore because the mandate was repealed as part of the Tax Cuts and Jobs Act, the remaining provisions of the Health Care Reform Law are invalid as well. On December 18, 2019, the Court of Appeals for the Fifth Circuit court affirmed the lower court's ruling that the individual mandate portion of the Health Care Reform Law is unconstitutional and it remanded the case to the district court for reconsideration of the severability question and additional analysis of the provisions of the Health Care Reform Law. Thereafter, the U.S. Supreme Court agreed to hear this case. Oral argument in the case took place on November 10, 2020. On February 10, 2021, the Biden Administration withdrew the federal government's support for overturning the Health Care Reform Law. On June 17, 2021, the U.S. Supreme Court rejected this challenge to the Health Care Reform Law after finding that plaintiffs do not have standing to challenge the constitutionality of the statute. It is unclear how such litigation and other efforts to repeal and replace the Health Care Reform Law will impact the Health Care Reform Law and our business. Litigation and legislation over the Health Care Reform Law are likely to continue, with unpredictable and uncertain results.

The Trump Administration also took executive actions to undermine or delay implementation of the Health Care Reform Law, including directing federal agencies with authorities and responsibilities under the Health Care Reform Law to waive, defer, grant exemptions from, or delay the implementation of any provision of the Health Care Reform Law that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. On January 28, 2021, however, President Biden issued a new Executive Order which directs federal agencies to reconsider rules and other policies that limit Americans' access to health care, and consider actions that will protect and strengthen that access. Under this Executive Order, federal agencies are directed to re-examine policies that undermine protections for people with pre-existing conditions, including complications related to COVID-19; demonstrations and waivers under Medicaid and the Health Care Reform Law that may reduce coverage or undermine the programs, including work requirements; policies that undermine the Health Insurance Marketplace or other markets for health insurance; policies that make it more difficult to enroll in Medicaid and the Health Care Reform Law; and policies that reduce affordability of coverage or financial assistance, including for dependents. This Executive Order also directs the U.S. Department of Health and Human Services to create a special enrollment period for the Health Insurance Marketplace in response to the COVID-19 pandemic.

Another provision of the Health Care Reform Law, generally referred to as the Physician Payment Sunshine Act or Open Payments Program, has imposed new reporting and disclosure requirements for pharmaceutical and medical device manufacturers and distributors with certain FDA-approved products, such as approved vaccines, with regard to payments or other transfers of value made to certain U.S. health care practitioners, such as physicians and academic medical centers, and with regard to certain ownership interests held by physicians in reporting entities. The CMS publishes information from these reports on a publicly available website, including amounts transferred and the physician and teaching hospital identities.

Under the Physician Payment Sunshine Act, we are required to collect and report detailed information regarding certain financial relationships we have with physicians and teaching hospitals if we obtain FDA approval for any of our products and receive reimbursement from the federal government. Our compliance with these rules may also impose additional costs.

With enactment of the Tax Cuts and Jobs Act of 2017, which was signed by President Trump on December 22, 2017, Congress repealed the "individual mandate." The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Additionally, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the Health Care Reform Law-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax. Further, the Bipartisan Budget Act of 2018, among other things, amended the Health Care Reform Law, effective January 1, 2019, to increase the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole." The Congress may consider other legislation to replace elements of the Health Care Reform Law.

In addition, the CMS has proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the Health Care Reform Law for plans sold through such marketplaces. On November 30, 2018, CMS announced a proposed rule that would amend the Medicare Advantage and Medicare Part D prescription drug benefit regulations to reduce out-of-pocket costs for plan enrollees and allow Medicare plans to negotiate lower rates for certain drugs. Among other things, the proposed rule changes would allow Medicare Advantage plans to use preauthorization, or PA, and step therapy, or ST, for six protected classes of drugs, with certain exceptions; permit plans to implement PA and ST in Medicare Part B drugs; and change the definition of "negotiated prices" as well as add a definition of "price concession" in the regulations. It is unclear whether these proposed changes will be accepted, and if so, what effect such changes will have on our business.

The prices of prescription pharmaceuticals have also been the subject of considerable discussion in the United States. To date, there have been several recent U.S. congressional inquiries, as well as proposed and enacted state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for products. To those ends, President Trump issued several executive orders intended to lower the costs of prescription drug products. Certain of these orders are reflected in recently promulgated regulations, including an interim final rule implementing President Trump's most favored nation model, but such final rule is currently subject to a nationwide preliminary injunction. The Biden Administration has frozen certain of the previous administration's measures to reform drug prices, pending further review. It remains to be seen how the Biden Administration will address this issue but, under Medicare Part D, the new administration may seek to establish a ceiling for the launch prices of all branded, biologic, and certain generic drugs by referencing the average price of these drugs in other developed countries. At the same time, the administration may seek to limit Medicare Part D and public option drug prices through a tax penalty on manufacturers for increases in the cost of drugs and biologics above the general inflation rate. The American Rescue Plan Act of 2021, comprehensive COVID-19 relief legislation recently enacted under the Biden Administration, includes a number of healthcare-related provisions, such as support to rural health care providers, increased tax subsidies for health insurance purchased through insurance exchange marketplaces, financial incentives to states to expand Medicaid programs and elimination of the Medicaid drug rebate cap effective in 2024.

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional health care authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, if approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

The Drug Supply Chain Security Act imposes new obligations on manufacturers of pharmaceutical products related to product tracking and tracing. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We are not sure whether additional legislative changes will be enacted, or whether the current regulations, guidance or interpretations will be changed, or what the impact of such changes on our business, if any, may be.

It is likely that federal and state legislatures within the United States and foreign governments will continue to consider changes to existing health care legislation. We cannot predict the reform initiatives that may be adopted in the future or whether initiatives that have been adopted will be repealed or modified. The continuing efforts of the government, insurance companies, managed care organizations and other health care payors of to contain or reduce costs of health care may adversely affect:

- the demand for any product candidates for which we may obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;

- our ability to obtain coverage and reimbursement approval for a product;
- our ability to generate revenue and achieve or maintain profitability; and
- the level of taxes that we are required to pay.

Finally, in the European Union, similar political, economic and regulatory developments may affect our ability to profitably commercialize our product candidates, if approved. In addition to continuing pressure on prices and cost containment measures, legislative developments at the European Union or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the European Union, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than European Union, law and policy. National governments and health service providers have different priorities and approaches to the delivery of healthcare and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most European Union member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing European Union and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize our product candidates, if approved.

In markets outside of the United States and the European Union, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action in the United States, the European Union or any other jurisdiction. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain regulatory compliance, our product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability.

Our relationships with customers, physicians and third-party payors will be subject, directly or indirectly, to federal and state health care fraud and abuse laws, false claims laws, health information privacy and security laws, and other health care laws and regulations. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

If we obtain FDA approval for SGT-001, SGT-003 or our other product candidates and begin commercializing those products in the United States, our operations will be directly or indirectly through our prescribers, customers and purchasers, subject to various federal and state fraud and abuse laws and regulations, including, without limitation, the federal Health Care Program Anti-Kickback Statute, the federal civil and criminal laws and the Physician Payment Sunshine Act and regulations. These laws will impact, among other things, our proposed sales, marketing and educational programs. In addition, we may be subject to patient privacy laws by both the federal government and the states in which we conduct our business. The laws that will affect our operations include, but are not limited to:

- the federal Health Care Program Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, in return for the purchase, recommendation, leasing or furnishing of an item or service reimbursable under a federal health care program, such as the Medicare and Medicaid programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand, and prescribers, purchasers and formulary managers on the other. The Health Care Reform Law amended the intent requirement of the federal Anti-Kickback Statute. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it;
- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid or other government payors that are false or fraudulent. The Health Care Reform Law provides and recent government cases against pharmaceutical and medical device manufacturers support the view that Federal Anti-Kickback Statute violations and certain marketing practices, including off-label promotion, may implicate the False Claims Act;
- HIPAA, which created new federal criminal statutes that prohibit a person from knowingly and willfully executing a scheme or from making false or fraudulent statements to defraud any health care benefit program, regardless of the payor (e.g., public or private);
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, and as amended again by the final HIPAA omnibus rule, Modifications to the HIPAA Privacy, Security, Enforcement, and Breach Notification Rules Under HITECH and the Genetic Information Nondiscrimination Act; Other Modifications to HIPAA, published in January 2013, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization by entities subject to the rule, such as health plans, health care clearinghouses and health care providers;

- federal transparency laws, including the federal Physician Payment Sunshine Act, that require certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to report annually to the CMS information related to: (i) payments or other "transfers of value" made to physicians and teaching hospitals and (ii) ownership and investment interests held by physicians and their immediate family members;
- state and foreign law equivalents of each of the above federal laws, state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other health care providers or marketing expenditures and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts in certain circumstances, such as specific disease states; and
- state and foreign laws that govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. If our operations are found to be in violation of any of the laws described above or any other government regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from participation in government health care programs, such as Medicare and Medicaid, imprisonment and the curtailment or restructuring of our operations.

The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. 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. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that we may run afoul of one or more of the requirements.

Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could subject us to significant fines and penalties, which may have a material adverse effect on our business, financial condition or results of operations.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we must comply. For example, the collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the General Data Protection Regulation, or GDPR, which took effect across all member states of the European Economic Area, or EEA, in May 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR increases our obligations with respect to clinical trials conducted in the EEA by expanding the definition of personal data to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial subjects and investigators. In addition, the GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States and, as a result, increases the scrutiny that clinical trial sites located in the EEA should apply to transfers of personal data from such sites to countries that are considered to lack an adequate level of data protection, such as the United States. The GDPR also permits data protection authorities to require destruction of improperly gathered or used personal information and/or impose substantial fines for violations of the GDPR, which can be up to four percent of global revenues or 20 million Euros, whichever is greater, and it also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. In addition, the GDPR provides that European Union member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

Similar actions are either in place or under way in the United States. There are a broad variety of data protection laws that are applicable to our activities, and a wide range of enforcement agencies at both the state and federal levels that can review companies for privacy and data security concerns based on general consumer protection laws. The Federal Trade Commission and state Attorneys General all are aggressive in reviewing privacy and data security protections for consumers. New laws also are being considered at both the state and federal levels. For example, the California Consumer Privacy Act, which went into effect on January 1, 2020, is creating similar risks and obligations as those created by GDPR, though the Act does exempt certain information collected as part of a clinical trial subject to the Federal Policy for the Protection of Human Subjects (the Common Rule). Many other states are considering similar legislation. A broad range of legislative measures also have been introduced at the federal level. Accordingly, failure to comply with federal and state laws (both those currently in effect and future legislation) regarding privacy and security of personal information could expose us to fines and penalties under such laws. There also is the threat of consumer class actions related to these laws and the overall protection of personal data. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Given the breadth and depth of changes in data protection obligations, preparing for and complying with such requirements is rigorous and time intensive and requires significant resources and a review of our technologies, systems and practices, as well as those of any third-party collaborators, service providers, contractors or consultants that process or transfer personal data collected in the European Union. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information from our clinical trials, could require us to change our business practices and put in place additional compliance mechanisms, may interrupt or delay our development, regulatory and commercialization activities and increase our cost of doing business, and could lead to government enforcement actions, private litigation and significant fines and penalties against us and could have a material adverse effect on our business, financial condition or results of operations. Similarly, failure to comply with federal and state laws regarding privacy and security of personal information could expose us to fines and penalties under such laws. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Further, we cannot provide any assurances that our third-party service providers with access to our or our customers', suppliers', trial patients' and employees' personally identifiable and other sensitive or confidential information in relation to which we are responsible will not breach contractual obligations imposed by us, or that they will not experience data security breaches or attempts thereof, which could have a corresponding effect on our business, including putting us in breach of our obligations under privacy laws and regulations and/or which could in turn adversely affect our business, results of operations and financial condition. We cannot provide any assurances that our contractual measures and our own privacy and security-related safeguards will protect us from the risks associated with the third-party processing, storage and transmission of such information.

We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, be precluded from developing manufacturing and selling certain products outside the United States or be required to develop and implement costly compliance programs, which could adversely affect our business, results of operations and financial condition.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010, or Bribery Act, the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws that apply in countries where we do business and may do business in the future. The Bribery Act, FCPA and these other laws generally prohibit us, our officers, and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. Compliance with the FCPA, in particular, is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

We may in the future operate in jurisdictions that pose a high risk of potential Bribery Act or FCPA violations, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the Bribery Act, FCPA or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. If we expand our operations outside of the United States, we will need to dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, collectively referred to as the Trade Control laws. In addition, various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA or other legal requirements, including Trade Control laws. If we are not in compliance with the Bribery Act, the FCPA and other anti-corruption laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. The Securities and Exchange Commission also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions. Any investigation of any potential violations of the Bribery Act, the FCPA, other anti-corruption laws or Trade Control laws by United Kingdom, U.S. or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

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

We face an inherent risk of product liability exposure related to the testing of SGT-001, SGT-003, our other product candidates and any future product candidate in preclinical studies and clinical trials and may face an even greater risk if we commercialize any product candidate that we may develop. If we cannot successfully defend ourselves against claims that our product candidates caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

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

Although we maintain product liability insurance coverage, such insurance may not be adequate to cover all liabilities that we may incur. We anticipate that we will need to increase our insurance coverage each time we commence a clinical trial and if we successfully commercialize any product candidate. Insurance 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.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the generation, handling, use, storage, treatment, manufacture, transportation and disposal of, and exposure to, hazardous materials and wastes, as well as laws and regulations relating to occupational health and safety. Our operations involve the use of hazardous and flammable materials, including chemicals and viruses and other biologic materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages. We also could incur significant costs associated with civil or criminal fines and penalties. We do not carry specific biological or hazardous waste insurance coverage, and our property, casualty and general liability insurance policies specifically exclude coverage for damages and fines arising from biological or hazardous waste exposure or contamination. Although we maintain workers' compensation insurance for certain costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials or other work-related injuries, this insurance may not provide adequate coverage against potential liabilities. Accordingly, in the event of contamination or injury, we could be held liable for damages or be penalized with fines in an amount exceeding our resources, and our clinical trials or regulatory approvals could be suspended.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations, which have tended to become more stringent over time. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions or liabilities.

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

Despite the implementation of security measures, our internal computer systems and those of our current and any future collaborators and other contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such systems are also vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees, third-party vendors and/or business partners, or from cyber-attacks by malicious third parties. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. Cyber-attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information. Cyber-attacks also could include phishing attempts or e-mail fraud to cause payments or information to be transmitted to an unintended recipient.

While we are not aware of any such material system failure, accident, cyber-attack or security breach to date, if such an event were to occur and cause interruptions in our or our collaborators', contractors' or consultants' operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. For example, the loss of clinical trial data from preclinical studies or clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our competitive position could be harmed and the further development and commercialization of SGT-001, SGT-003 and our other product candidates could be delayed.

Risks related to our intellectual property

We heavily rely on certain in-licensed patents and other intellectual property rights in connection with our development of SGT-001 and SGT-003 and may be required to acquire or license additional patents or other intellectual property rights to continue to develop and commercialize SGT-001, SGT-003 and our other product candidates.

Our ability to develop and commercialize SGT-001, SGT-003 and other product candidates is heavily dependent on licenses to patent rights and other intellectual property granted to us by third parties. In particular, we have licensed certain patents and patent applications from the University of Michigan, the University of Missouri and the University of Washington that are important or necessary to the development of SGT-001, SGT-003 and other elements of our gene transfer program. Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, development and commercialization obligations, milestone payments, royalties and other obligations on us. If we fail to comply with our obligations under these agreements, we may be subject to damages, which may be significant, and the licensor may have the right to terminate the license, in which event we may not be able to develop or market product candidates or technologies covered by the license, including SGT-001 or SGT-003. In addition, certain of these license agreements are not assignable by us without the consent of the respective licensor, which may have an adverse effect on our ability to engage in certain transactions.

Under our existing license agreements, we do not have, and under future license agreements we may not have, the right to control the preparation, filing and prosecution of patent applications, or the maintenance, enforcement and defense of the patents and patent applications that we license from third parties. For example, under our inbound license agreements with the University of Michigan, the University of Missouri and the University of Washington, each of the applicable licensors controls the prosecution of patent applications and the maintenance of patents and patent applications. Therefore, we cannot be certain that these patents and applications will be prosecuted, maintained, enforced and defended in a manner consistent with the best interests of our business. If our licensors fail to maintain, enforce or defend such patents, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated and our right to develop and commercialize any of our product candidates that are the subject of such licensed rights, including SGT-001 and SGT-003, could be adversely affected. For more information, see Part I, Item 1, "Business—Strategic partnerships and collaborations/licenses" of our 2020 Annual Report on Form 10-K.

Moreover, licenses to additional third-party intellectual property, technology and materials are required for our development programs but may not be available in the future or may not be available on commercially reasonable terms. For example, we are aware of certain third-party patents related to certain microdystrophin constructs, which, if in force at the time of SGT-001's commercialization, may be claimed by third parties to cover SGT-001. In addition, third parties may claim that the AAV vectors we are developing for use in SGT-001, SGT-003 or other product candidates are covered by patents held by them. We believe that we would have valid defenses to any such claims; however, if any such claims were ultimately successful, we might require a license to continue to use and sell SGT-001, SGT-003, or other product candidates and such AAV vectors. Such licenses may not be available on commercially reasonable terms, or at all. The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, capital resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. Moreover, even if we are able to obtain such licenses, they may only be non-exclusive, which could permit competitors and other third parties to use the same intellectual property in competition with us.

We may collaborate with non-profit and academic institutions to accelerate our preclinical research or development under written agreements with these institutions. These institutions may provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the required timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to other parties, potentially blocking our ability to pursue our program.

If we are unable to successfully obtain rights to any third-party intellectual property rights that are required for the development and commercialization of SGT-001 SGT-003, or any of our other product candidates, and such third-party intellectual property rights are successfully asserted against us, we may be liable for damages, which may be significant, and we may be required to cease the development and commercialization of SGT-001, SGT-003 or our other product candidates.

If we are unable to obtain and maintain patent protection for our product candidates, or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize products similar or identical to ours, and our ability to successfully commercialize our product candidates may be adversely affected.

Our success depends, in large part, on our and our licensors' ability to seek, obtain, maintain, enforce and defend patent rights in the United States and other countries with respect to SGT-001, SGT-003, our other product candidates and our future innovation related to our manufacturing technology. Our licensors and we have sought, and we intend to continue to seek, to protect our proprietary position by filing patent applications in the United States and, in at least some cases, one or more countries outside the United States related to SGT-001, SGT-003 and certain other product candidates that are important to our business. However, we cannot predict whether the patent applications we and our licensors are currently pursuing will issue as patents or whether the claims of any issued patents will provide us with a competitive advantage.

Moreover, although we have pending patent applications in the United States and abroad, we cannot predict whether or in which jurisdictions the pending applications will result in issuance of patents that effectively protect any of our product candidates or will effectively prevent others from commercializing competitive products. Further, each of the provisional patent applications is not eligible to become an issued patent until, among other things, we file a non-provisional patent application within 12 months of the filing date of each provisional patent application. If we do not timely file a non-provisional patent application in respect of a provisional patent application, we may lose our priority date with respect to such provisional patent application and any patent protection on the inventions disclosed in such provisional patent application. While we intend to timely file non-provisional patent applications relating to our provisional patent applications, we cannot predict whether such future patent applications will result in the issuance of patents that effectively protect any of our product candidates or will effectively prevent others from commercializing competitive products.

We may not be able to file, prosecute, maintain, enforce, defend or license all patents that are necessary to our business.

The patent prosecution process is expensive, time-consuming and complex, and we and our licensors may not be able to file, prosecute, maintain, enforce, defend or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner.

It is also currently unknown what claims may, if ever, issue from pending applications included in our patent rights. Additionally, certain of our in-licensed U.S. patent rights lack corresponding foreign patents or patent applications, and therefore we will be unable to obtain patent protection for our product candidates in certain jurisdictions. We or our licensors may not be able to obtain or maintain patent protection with respect to SGT-001, SGT-003 or our other product candidates.

Changes in either the patent laws or their interpretation in the United States and other countries may diminish our ability to protect our inventions, obtain, maintain and enforce our intellectual property rights, and more generally, could affect the value of our intellectual property rights or narrow the scope of our licensed patents or future owned patents.

It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, CROs, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has, in recent years, been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Patent applications included in our current and future patent rights may not result in patents being issued that protect our product candidates, effectively prevent others from commercializing competitive products or otherwise provide any competitive advantage. In fact, patent applications may not issue as patents at all. Even assuming patents issue from patent applications in which we have rights, changes in either the patent laws or interpretation of the patent laws in the United States and other jurisdictions may diminish the value of our patents or narrow the scope of our patent protection.

Other parties have developed products that may be related or competitive to our own and such parties may have filed or may file patent applications, or may have received or may receive patents, claiming inventions that may overlap or conflict with those claimed in our patent applications or issued patents. We may not be aware of all third-party intellectual property rights potentially relating to SGT-001 SGT-003, or our other current or future product candidates. In addition, we cannot provide any assurances that any of the inventions disclosed in our patent applications will be found to be patentable, including over third-party or our own prior art patents, publications or other disclosures, or will issue as patents. Even if our patent applications issue as patents, we cannot provide any assurances that such patents will not be challenged or ultimately held to be invalid or unenforceable. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and in other jurisdictions are typically not published until 18 months after filing, or, in some cases, at all. Therefore, we cannot know with certainty whether the inventors of our licensed patents and applications were the first to make the inventions claimed in those patents or pending patent applications, or that they were the first to file for patent protection of such inventions. Similarly, should we own any issued patents or patent applications in the future, we may not be certain that we were the first to file for patent protection for the inventions claimed in such patents or patent applications. Furthermore, given the differences in patent laws in the United States, Europe and other foreign jurisdictions, for example, the availability of grace periods for filing patent applications and what can be considered as prior art, we cannot make any assurances that any claims in our pending and future patent applications in the United States or other jurisdictions will issue, or if they do issue, whether they will issue in a form that provides us with any meaningful competitive advantage. Similarly, we cannot make any assurances that if the patentability, validity, enforceability or scope of our pending or future patents and patent applications in the United States or foreign jurisdictions are challenged by any third party, that the claims of such pending or future patents and patent applications will survive any such challenge in a form that provides us with any meaningful competitive advantage. For example, we are aware of certain third-party patents and publications related to certain microdystrophin constructs. While we believe that our owned or in-licensed patents and patent applications claim novel and non-obvious features of microdystrophin constructs that are not described in such third-party patents or publications, such third-party patents and publications may have earlier priority or publication dates and may be asserted as prior art against our owned or in-licensed patents and applications. Any such challenge, if successful, could limit or eliminate patent protection for our products and product candidates or otherwise materially harm our business. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights cannot be predicted with any certainty.

Moreover, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license or may own in the future do issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us or otherwise provide us with any competitive advantage. Any patents that we license or may own in the future may be challenged, narrowed, circumvented, or invalidated by third parties. Consequently, we do not know whether any of our product candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative products in a non-infringing manner.

The degree of patent protection we require to successfully compete in the marketplace may be unavailable. We cannot provide any assurances that any of the patents or patent applications included in our patent rights include or will include claims with a scope sufficient to protect SGT-001, SGT-003 and our other product candidates or otherwise provide any competitive advantage. In addition, the laws of foreign countries may not protect our proprietary rights to the same extent as the laws of the United States. Furthermore, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally twenty years after it is filed. Certain extensions may be available, however, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent rights may not provide us with adequate and continuing patent protection sufficient to exclude others from commercializing products similar or identical to our product candidates, including biosimilar versions of such products.

Our licensed patents, and any patents we may own in the future, may be challenged, narrowed, invalidated or held unenforceable.

Even if we acquire patent protection that we expect should enable us to maintain some competitive advantage, third parties, including competitors, may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. In litigation, a competitor could claim that our in-licensed patents or any patents we may own in the future are not valid or enforceable for a number of reasons. If a court agrees, we would lose our rights to those challenged patents. Third parties also may raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such proceedings could result in the revocation or cancellation of or amendment to our licensed patents and any patents we may own in the future in such a way that they no longer cover SGT-001, SGT-003 or our other product candidates.

Even if issued, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our current and future patent rights may be challenged in the courts or patent offices in the United States and abroad. For example, we may be subject to a third-party submission of prior art to the U.S. Patent and Trademark Office, or USPTO, challenging the validity of one or more claims of patents included in our patent rights. Such submissions may also be made prior to a patent's issuance, precluding the granting of a patent based on one of the pending patent applications included in our patent rights. We may become involved in opposition, derivation, revocation, reexamination, post-grant and *inter partes* review, or interference proceedings challenging one or more patents included in our patent rights. For example, competitors may claim that they invented the inventions claimed in patents or patent applications included in our patent rights, such as the microdystrophin we use in SGT-001, prior to the inventors of such patents or patent applications, or may have filed one or more patent applications before the filing of the patents or patent applications included in our patent rights. A competitor who can establish an earlier filing or invention date may also assert that we are infringing their patents and that we therefore cannot practice our technology related to our product candidates as claimed in the patents or patent applications included in our patent rights. Competitors may also contest patents or patent applications included in our patent rights by showing that the claimed subject matter was not patent-eligible, was not novel or was obvious or that the patent claims failed any other requirement for patentability or enforceability. In addition, we may in the future be subject to claims by our or our licensors' current or former employees or consultants asserting an ownership right in the patents or patent applications included in our patent rights as an inventor or co-inventor, as a result of the work they performed.

An adverse determination in any such submission or proceeding may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar therapeutics, without payment to us, or could limit the duration of the patent protection covering our product candidates. Such challenges may also result in our inability to manufacture or commercialize our product candidates without infringing third-party patent rights, and we may be required to obtain a license from third parties, which may not be available on commercially reasonable terms or at all, or we may need to cease the development, manufacture and commercialization of one or more of our product candidates. In addition, if the breadth or strength of protection provided by the patents and patent applications included in our patent rights is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Such proceedings also may result in substantial cost and require significant time from our scientists and management, even if the eventual outcome is favorable to us.

Even if they are unchallenged, the patents and pending patent applications included in our patent rights may not provide us with any meaningful protection or prevent competitors from designing around our patent claims to circumvent our patent rights by developing similar or alternative therapeutics in a non-infringing manner. For example, a third party may develop a competitive therapeutic that provides benefits similar to one or more of our product candidates but that uses a vector or an expression construct that falls outside the scope of our patent protection. If the patent protection provided by the patents and patent applications we license or pursue with respect to our product candidates is not sufficiently broad to impede such competition, our ability to successfully commercialize our product candidates could be negatively affected.

Our intellectual property licenses with third parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology or increase our financial or other obligations to our licensors.

We currently depend, and will continue to depend, on our license, collaboration and other similar agreements. Further development and commercialization of SGT-001, SGT-003 and our other current and future product candidates may require us to enter into additional license, collaboration or other similar agreements. The agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

If any of our licenses or material relationships are terminated or breached, we may:

- lose our rights to develop and market SGT-001, SGT-003 or our other product candidates;
- lose patent protection for SGT-001, SGT-003 or our other product candidates;
- experience significant delays in the development or commercialization of SGT-001, SGT-003 or our other product candidates;
- not be able to obtain any other licenses on acceptable terms, if at all; or
- incur liability for damages.

These risks apply to any agreements that we may enter into in the future for SGT-001, SGT-003 and our other current and future product candidates.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.

We have certain obligations under licensing agreements with third parties that include annual maintenance fees and payments that are contingent upon achieving various development, commercial and regulatory milestones. Pursuant to many of these license agreements, we are required to make milestone payments if certain development, regulatory and commercial sales milestones are achieved, and may have certain additional research funding obligations. Also, pursuant to the terms of many of these license agreements, when and if commercial sales of a licensed product commence, we must pay royalties to our licensors on net sales of the respective licensed products.

We have entered into license agreements with third parties and may need to obtain additional licenses from one or more of these same third parties or from others to advance our research or allow our commercialization of SGT-001, SGT-003 or other product candidates. It is possible that we may be unable to obtain additional licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign SGT-001, SGT-003, our other product candidates or the methods for manufacturing them or to develop or license replacement products, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize SGT-001, SGT-003 or our other product candidates. We cannot provide any assurances that third-party patents or other intellectual property rights do not exist that might be enforced against our manufacturing methods, product candidates or any technologies we may develop, resulting in either an injunction prohibiting our manufacture or sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other forms of compensation to third parties.

In each of our existing license agreements, and we expect in our future agreements, patent prosecution of our licensed technology is controlled solely by the licensor, and we may be required to reimburse the licensor for their costs of patent prosecution. If our licensors fail to obtain and maintain patent or other protection for the proprietary intellectual property we license from them, we could lose our rights to the intellectual property or our exclusivity with respect to those rights, and our competitors could market competing products using the intellectual property. Further, in each of our license agreements our licensors have the first right to bring any actions against any third party for infringing on the patents we have licensed. Our license agreements also require us to meet development thresholds to maintain the license, including establishing a set timeline for developing and commercializing product candidates. Disputes may arise regarding intellectual property subject to our licensing agreements, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our products or processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship or ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of licensed patented inventions.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize SGT-001, SGT-003 or our other product candidates. In spite of our best efforts, our licensors might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, thereby resulting in disputes or litigation, which could cause us to incur substantial costs and distract management’s time, and if we are unsuccessful, we could lose our ability to develop and commercialize products covered by these license agreements. If these licenses are ultimately terminated by the licensor, or if the underlying patents fail to provide the intended exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours.

Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating 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 future collaborators to develop, manufacture, market and sell SGT-001, SGT-003 and our other current and future product candidates without infringing, misappropriating or otherwise violating the proprietary rights and intellectual property of third parties. The biotechnology and pharmaceutical industries are characterized by extensive and complex litigation regarding patents and other intellectual property rights. We or our licensors may in the future become party to, or be threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to SGT-001, SGT-003 or our other product candidates, including interference proceedings, post grant review and *inter partes* review before the USPTO. Our competitors or other third parties may assert infringement claims against us, alleging that, among other things, our therapeutics, manufacturing methods, formulations or administration methods are covered by their patents.

Given the vast number of patents in our field of technology, we cannot be certain or guarantee that a court would hold that SGT-001, SGT-003 or any of our other product candidates does not infringe an existing patent or a patent that may be granted in the future. Many companies and institutions have filed, and continue to file, patent applications related to gene therapy and related manufacturing methods. Some of these patent applications have already been allowed or issued and others may issue in the future. Since this area is competitive and of strong interest to pharmaceutical and biotechnology companies, there will likely be additional patent applications filed and additional patents granted in the future, as well as additional research and development programs expected in the future. Furthermore, because patent applications can take many years to issue, may be confidential for 18 months or more after filing and can be revised before issuance, there may be applications now pending that may later result in issued patents that may be infringed by the manufacture, use, sale or importation of our product candidates and we may or may not be aware of such patents. If a patent holder believes the manufacture, use, sale or importation of one of our product candidates infringes its patent, the patent holder may sue us even if we have licensed other patent protection for our product candidates. Moreover, we may face patent infringement claims from non-practicing entities that have no relevant product revenue and against whom our licensed patent portfolio may therefore have no deterrent effect.

It is also possible that we have failed to identify relevant third-party patents or applications for which we may need a license to develop and commercialize SGT-001, SGT-003 and our other product candidates. For example, applications filed before November 29, 2000 and certain applications filed after that date that will not be filed outside the United States remain confidential until patents issue. Moreover, it is difficult for industry participants, including us, to identify all third-party patent rights that may be relevant to our product candidates because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. We may fail to identify relevant patents or patent applications or may identify pending patent applications of potential interest but incorrectly predict the likelihood that such patent applications may issue with claims of relevance to our product candidates. In addition, we may be unaware of one or more issued patents that would be infringed by the manufacture, sale or use of a current or future product candidate, or we may incorrectly conclude that a third-party patent is invalid, unenforceable or not infringed by our activities. Additionally, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our product candidates.

Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of their merit. There is a risk that third parties may choose to engage in litigation with us to enforce or to otherwise assert their patent or other intellectual property rights against us. For example, as discussed above, third parties may claim that the microdystrophin or the AAV vector we are developing for use in SGT-001 is covered by patents held by them. Even if we believe such claim, or other intellectual property claims alleged by third parties, are without merit, there is no assurance that we would be successful in defending such claims. A court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, which could materially and adversely affect our ability to commercialize SGT-001, SGT-003 or our other product candidates covered by the asserted third-party patents. In order to successfully challenge the validity of any such U.S. patent in federal court, we would need to overcome a presumption of validity. As this burden is a high one requiring us to present clear and convincing evidence as to the invalidity of any such U.S. patent claim, there is no assurance that a court of competent jurisdiction would invalidate the claims of any such U.S. patent. Similarly, there is no assurance that a court of competent jurisdiction would find that SGT-001, SGT-003 or our other product candidates did not infringe a third-party patent.

Patent and other types of intellectual property litigation can involve complex factual and legal questions, and their outcome is uncertain. If we are found, or believe there is a risk that we may be found, to infringe, misappropriate or otherwise violate a third party's intellectual property rights, and we are unsuccessful in demonstrating that such intellectual property rights are invalid or unenforceable, we could be required or may choose to obtain a license from such third party to continue developing, manufacturing and marketing our product candidates. 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 and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. We could be forced, including by court order, to cease developing, manufacturing and commercializing the infringing product candidate, including SGT-001. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right. A finding of infringement, misappropriation or other violation of intellectual property rights, or claims that we have done so, could prevent us from manufacturing and commercializing our product candidates or force us to cease some or all of our business operations.

Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Litigation or other legal proceedings relating to intellectual property claims, with or without merit, is unpredictable and generally expensive and time-consuming. Competitors may infringe patents that we may own in the future or the patents of our licensing partners or we may be required to defend against claims of infringement. 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 management personnel from their normal responsibilities. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments 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 the resources available for development activities or any future sales, marketing or distribution 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 greater financial resources and more mature and developed intellectual property portfolios. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing or misappropriating or successfully challenging our intellectual property rights. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

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

Periodic maintenance fees, renewal fees, annuity fees and various other government fees on patents and/or applications will be due to be paid to the USPTO and various government patent agencies outside of the United States over the lifetime of our licensed patents and applications and any patents and patent applications we may own in the future. The USPTO and various non-U.S. government patent agencies require compliance with several procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable intellectual property law firms and other professionals to help us comply and we are also dependent on our licensors to take the necessary action to comply with these requirements with respect to our licensed intellectual property. 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. There are situations, however, in which non-compliance 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, potential competitors might be able to enter the market and this circumstance could have a material adverse effect on our business.

Some intellectual property that we have in-licensed may have been discovered through government-funded programs and thus may be subject to federal regulations such as "march-in" rights, certain reporting requirements, and a preference for U.S. manufacturing. Compliance with such regulations may limit our exclusive rights, and limit our ability to contract with non-U.S. manufacturers.

Some of the intellectual property rights we have licensed, including such rights licensed from the University of Michigan, the University of Missouri and the University of Washington, are stated to have been generated through the use of U.S. government funding and may therefore be subject to certain federal regulations. As a result, the U.S. government may have certain rights to intellectual property embodied in our current or future product candidates pursuant to the Bayh-Dole Act of 1980, or Bayh-Dole Act. These U.S. government rights in certain inventions developed under a government-funded program include a non-exclusive, non-transferable, irrevocable worldwide license to use inventions for any governmental purpose. In addition, the U.S. government has the right to require us to grant exclusive, partially exclusive or non-exclusive licenses to any of these inventions to a third party if it determines that: (i) adequate steps have not been taken to commercialize the invention, (ii) government action is necessary to meet public health or safety needs or (iii) government action is necessary to meet requirements for public use under federal regulations (also referred to as "march-in rights"). The U.S. government also has the right to take title to these inventions if we, or the applicable licensor, fail to disclose the invention to the government and fail to file an application to register the intellectual property within specified time limits. Intellectual property generated under a government funded program is also subject to certain reporting requirements, compliance with which may require us or the applicable licensor to expend substantial resources. In addition, the U.S. government requires that any products embodying the subject invention or produced through the use of the subject invention be manufactured substantially in the United States. The manufacturing preference requirement can be waived if the owner of the intellectual property can show that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible. This preference for U.S. manufacturers may limit our ability to contract with non-U.S. product manufacturers for products covered by such intellectual property. To the extent any of our current or future intellectual property is generated through the use of U.S. government funding, the provisions of the Bayh-Dole Act may similarly apply.

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

Filing, prosecuting, maintaining, enforcing and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States could be less extensive than those in the United States. Although our license agreements grant us worldwide rights, certain of our in-licensed U.S. patents lack corresponding foreign patents or patent applications. For example, the issued U.S. patents we license from the University of Michigan do not have any corresponding foreign patents or patent applications. Thus, we will not have the opportunity to obtain patent protection for the subject matter of such patents outside the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States even in jurisdictions where we and our licensors pursue patent protection. Consequently, we and our licensors may not be able to prevent third parties from practicing our inventions in all countries outside the United States, even in jurisdictions where we and our licensors pursue patent protection, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our inventions in jurisdictions where we and our licensors have not pursued and obtained patent protection to develop their own products and may export otherwise infringing products to territories where we have patent protection, but where enforcement is not as strong as it is in the United States. These products may compete with our product candidates and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

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

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of the discovery and development processes of SGT-001, SGT-003 and our other product candidates that involve proprietary know-how, information or technology that is not covered by patents. Our manufacturing process is protected by trade secrets. However, trade secrets can be difficult to protect and some courts inside and outside the United States are less willing or unwilling to protect trade secrets.

We seek to protect our proprietary know-how, trade secrets and processes, in part, by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements or other similar agreements with our employees, consultants, scientific advisors, CROs, manufacturers and contractors. These agreements typically limit the rights of third parties to use or disclose our confidential information. However, we may not be able to prevent the unauthorized disclosure or use of our technical know-how or other trade secrets by the parties to these agreements, despite the existence generally of confidentiality agreements and other contractual restrictions. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary processes. Monitoring unauthorized uses and disclosures is difficult and we do not know whether the steps we have taken to protect our proprietary know-how and trade secrets will be effective. If any of our employees, collaborators, CROs, manufacturers, consultants, advisors and other third parties who are parties to these agreements breaches or violates the terms of any of these agreements, we may not have adequate remedies for any such breach or violation. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive, and time-consuming, and the outcome is unpredictable. As a result, we could lose our trade secrets. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these security measures, they may still be breached, and we may not have adequate remedies for any breach.

In addition, our trade secrets may otherwise become known or be independently discovered by competitors. Competitors could purchase our product candidates, if approved, and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe, misappropriate or otherwise violate our intellectual property rights, design around our protected know-how and trade secrets, or develop their own competitive technologies that fall outside of our intellectual property rights. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate such trade secrets, from using that technology or information to compete with us. If our trade secrets are not adequately protected so as to protect our market against competitors' products and technologies, our competitive position could be adversely affected.

We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Certain of our employees, consultants or advisors are currently, or were previously, employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors, as well as our academic partners. Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. An inability to incorporate such technologies or features would have a material adverse effect on our business and may prevent us from successfully commercializing our product candidates. Moreover, any such litigation or the threat of such litigation may adversely affect our ability to hire employees or contract with independent contractors. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our product candidates. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. Moreover, even when we obtain agreements assigning intellectual property to us, the assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. Moreover, individuals executing agreements with us may have preexisting or competing obligations to a third party, such as an academic institution, and thus an agreement with us may be ineffective in perfecting ownership of inventions developed by that individual.

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

Changes in either the patent laws or the interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes several significant changes to U.S. patent law. Prior to March 2013 in the United States, assuming that other requirements for patentability are met, the first to make the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 2013, under the Leahy-Smith Act, the United States transitioned to a first inventor to file system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the invention. The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and may also affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent through various post-grant proceedings administered by the USPTO. The USPTO developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business as, among other reasons, the USPTO must still implement various regulations. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

The patent positions of companies engaged in the development and commercialization of biologics and pharmaceuticals are particularly uncertain. Two cases involving diagnostic method claims and "gene patents" have been decided by the Supreme Court of the United States, or the Supreme Court. On March 20, 2012, the Supreme Court issued a decision in Mayo Collaborative Services v. Prometheus Laboratories, Inc., or Prometheus, a case involving patent claims directed to a process of measuring a metabolic product in a patient to optimize a drug dosage for the patient. According to the Supreme Court, the addition of well understood, routine or conventional activity such as "administering" or "determining" steps was not enough to transform an otherwise patent-ineligible natural phenomenon into patent-eligible subject matter. On July 3, 2012, the USPTO issued a guidance memo to patent examiners indicating that process claims directed to a law of nature, a natural phenomenon or a naturally occurring relation or correlation that do not include additional elements or steps that integrate the natural principle into the claimed invention such that the natural principle is practically applied and the patent claim amounts to significantly more than the natural principle itself should be rejected as directed to patent-ineligible subject matter. On June 13, 2013, the Supreme Court issued its decision in Association for Molecular Pathology v. Myriad Genetics, Inc., or Myriad, a case involving patent claims held by Myriad Genetics, Inc. relating to the breast cancer susceptibility genes BRCA1 and BRCA2. Myriad held that an isolated segment of naturally occurring DNA, such as the DNA constituting the BRCA1 and BRCA2 genes, is not patent-eligible subject matter, but that complementary DNA may be patent-eligible.

In 2014, the USPTO issued a guidance to its patent examiners for evaluating claims for patent subject matter eligibility under the relevant statute (35 U.S.C. § 101). This guidance was in response to a series of decisions from the U.S. Supreme Court on patent claims reciting judicial exceptions, including Abstract Ideas, Laws of Nature/Natural Principles, Natural Phenomena and/or Natural Products. Based on judicial decisions and public feedback, several supplements to this guidance and additional memoranda and materials have since been issued and are continually being issued, while the current eligibility guidance has been incorporated into the latest (9th) edition of the MPEP (Manual for Patent Examination Procedure), last revised in January 2018. The current subject matter eligibility guideline instructs USPTO examiners to follow a two-part test, set forth in the U.S. Supreme Court decisions Alice/Mayo, as the only test that should be used to evaluate the eligibility of claims under examination, including claims directed to natural products and principles including all naturally occurring nucleic acids. Certain claims of our licensed patents and patent applications contain, and any future patents we may obtain may contain, claims that relate to specific recombinant DNA sequences that are naturally occurring at least in part and, therefore, could be the subject of future challenges made by third parties. In addition, the current USPTO subject matter eligibility guidance and the constantly evolving case law, together with contemplated congressional action, could all impact our ability to pursue similar patent claims in patent applications we may prosecute in the future.

We cannot assure our stockholders that our efforts to seek patent protection for our product candidates will not be negatively impacted by the decisions described above, rulings in other cases or changes in guidance or procedures issued by the USPTO. We cannot fully predict what impact the Supreme Court's decisions in Prometheus and Myriad may have on the ability of life science companies to obtain or enforce patents relating to their products in the future. These decisions, the guidance issued by the USPTO and rulings in other cases or changes in USPTO guidance or procedures could have a material adverse effect on our existing patent rights and our ability to protect and enforce our intellectual property in the future.

Moreover, although the Supreme Court has held in Myriad that isolated segments of naturally occurring DNA are not patent-eligible subject matter, certain third parties could allege that activities that we may undertake infringe other gene-related patent claims, and we may deem it necessary to defend ourselves against these claims by asserting non-infringement and/or invalidity positions, or paying to obtain a license to these claims. In any of the foregoing or in other situations involving third-party intellectual property rights, if we are unsuccessful in defending against claims of patent infringement, we could be forced to pay damages or be subjected to an injunction that would prevent us from utilizing the patented subject matter.

If we do not obtain patent term extension for patents relating to SGT-001, SGT-003 or our other product candidates, our business may be materially harmed.

Depending upon the timing, duration and specifics of any FDA marketing approval of SGT-001, SGT-003 and our other product candidates, one or more U.S. patents that we license or may own in the future may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent extension term of up to five years as compensation for patent term lost during the FDA regulatory review process based on the first regulatory approval for a particular drug or biologic. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. In addition, to the extent we wish to pursue patent term extension based on a patent that we in-license from a third party, we would need the cooperation of that third party. If we are unable to obtain patent term extension or the term of any such extension is less than we request, our competitors may be able to enter the market sooner.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition and our business may be adversely affected.

We have registered trademarks with the USPTO for the marks "SOLID BIOSCIENCES", "SOLID GT" and "SOLID". Once registered, our trademarks or trade names may be challenged, infringed, diluted, tarnished, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement, dilution or tarnishment claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources.

Intellectual property rights and regulatory exclusivity rights do not necessarily address all potential threats.

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. For example:

- others may be able to make gene therapy products that are similar to our product candidates but that are not covered by the claims of the patents that we license or may own in the future;
- we, or our current or future license partners or collaborators, might not have been the first to make the inventions covered by the issued patent or pending patent applications that we license or may own in the future;
- we, or our current and future license partners or collaborators, might not have been the first to file patent applications covering certain of our or their inventions;
- others may independently develop similar or alternative products or duplicate any of our processes without infringing our owned or licensed intellectual property rights;
- others may circumvent our regulatory exclusivities, such as by pursuing approval of a competitive product candidate via the traditional approval pathway based on their own clinical data, rather than relying on the abbreviated pathway provided for biosimilar applicants;
- it is possible that our pending licensed patent applications or those that we may own in the future will not lead to issued patents;
- issued patents that we hold rights to now or in the future may be held invalid or unenforceable, including as a result of legal challenges by our competitors;
- others may have access to the same intellectual property rights licensed to us;
- 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 additional proprietary technologies that are patentable;
- the patents or other intellectual property rights of others may have an adverse effect on our business; and
- we may choose not to file a patent for certain trade secrets or know how, and a third party may subsequently file a patent covering such intellectual property.

Risks related to ownership of our common stock

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

Our executive officers and directors and principal stockholders, in the aggregate, own shares representing approximately 33.8% of our capital stock as of August 10, 2021. 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 persons, if they choose to act together, would 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 may:

- delay, defer or prevent a change in control;
- entrench our management and our board of directors; or
- delay or prevent a merger, consolidation, takeover or other business combination involving us on terms that other stockholders may desire.

A significant number of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is performing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. Our outstanding shares of common stock may be freely sold in the public market at any time to the extent permitted by Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act, or to the extent such shares have already been registered under the Securities Act and are held by non-affiliates of ours. Moreover, holders of asubstantial number of shares of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

In October 2020, in connection with the execution of our collaboration and license agreement with Ultragenyx, we issued and sold 7,825,797 shares of our common stock to Ultragenyx. Following the expiration of an 18-month lock-up period and for the ten-year period after date of such sale, subject to specified conditions, we have agreed to file a registration statement in order to register all or a portion of the shares sold to Ultragenyx.

In July 2019 and December 2020, we completed private placements of shares of our common stock and pre-funded warrants to purchase shares of our common stock to several accredited investors. We have filed registration statements covering the resale of these shares by the purchasers in these private placements and have agreed to keep such registration statements effective until the date the shares covered by the respective registration statement have been sold or can be resold without restriction under Rule 144 of the Securities Act.

In addition, we have filed registration statements registering all shares of common stock that we may issue under our equity compensation plans. These shares can be freely sold in the public market upon issuance, subject to black-out periods and volume limitations applicable to affiliates.

We currently have on file with the SEC a universal shelf registration statement which allows us to offer and sell registered common stock, preferred stock, debt securities, depositary shares, warrants and/or units from time to time pursuant to one or more offerings at prices and terms to be determined at the time of sale.

The price of our common stock has been, and in the future is likely to be, volatile and fluctuate substantially, which could result in substantial losses for holders of our common stock.

Our stock price has been, and in the future is likely to be, volatile. The stock market in general and the market for biopharmaceutical or pharmaceutical companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, our stockholders may not be able to sell their shares of common stock at or above the price they paid for their shares. The market price for our common stock may be influenced by many factors, including:

- results of or developments in preclinical studies and clinical trials of SGT-001, SGT-003 or our other product candidates or those of our competitors;
- the success of competitive products or technologies;
- the effect of the COVID-19 pandemic on both the healthcare system and the patient population;
- regulatory or legal developments in the United States, the European Union and other countries;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates, or our clinical development programs and our commercialization efforts;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates;
- actual or anticipated changes in our development timelines;
- our ability to raise additional capital;
- our inability to obtain or delays in obtaining adequate product supply for any approved product or inability to do so at acceptable prices;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our product candidates;

- significant lawsuits, including patent or stockholder litigation;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of health care payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this “Risk Factors” section.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially.

In the past, following periods of volatility in the market price of a company’s securities, securities class-action litigation often has been instituted against that company. We and certain of our executive officers and board members have previously been named as defendants in purported class action lawsuits. Any such litigation instituted against us could cause us to incur substantial costs to defend such claims and divert management’s attention and resources.

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

Although our common stock is listed on the Nasdaq Global Select Market, given the limited trading history of our common stock, there is a risk that an active trading market for our shares may not continue to develop or be sustained. If an active market for our common stock does not continue to develop or is not sustained, it may be difficult for our stockholders to sell shares without depressing the market price for the shares, or at all.

We are an “emerging growth company,” and a “smaller reporting company” and the reduced disclosure requirements applicable to emerging growth companies and smaller reporting companies may make our common stock less attractive to investors.

We are an “emerging growth company,” or EGC, as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. We will remain an EGC until the earliest of: (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) December 31, 2023; (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, or the SEC. For so long as we remain an EGC, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, or Section 404;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- reduced disclosure obligations regarding executive compensation; and
- an exemption from the requirement to seek nonbinding advisory votes on executive compensation or golden parachute arrangements.

We are also a smaller reporting company, and we will remain a smaller reporting company until the fiscal year following the determination that our voting and non-voting common stock held by non-affiliates is more than $250 million measured on the last business day of our second fiscal quarter, or our annual revenues are less than $100 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is more than $700 million measured on the last business day of our second fiscal quarter. Similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosure and have certain other reduced disclosure obligations, including, among other things, being permitted to provide only two years of audited financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; not being required to furnish a contractual obligations table in “Management's Discussion and Analysis of Financial Condition and Results of Operations”; and not being required to furnish a stock performance graph in our annual report.

We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of reduced reporting burdens in our filings with the Securities and Exchange Commission. In particular, we have not included all of the executive compensation information that would be required if we were not an EGC. We cannot predict whether investors will find our common stock less attractive if we rely on certain or all of 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 be more volatile.

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

As a public company, and particularly after we are no longer an EGC, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance.

Pursuant to Section 404, we are required to furnish a report by our management on our internal control over financial reporting. However, while we remain an EGC or a smaller reporting company with less than $100 million in revenue, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Provisions in our certificate of incorporation and our bylaws and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our certificate of incorporation 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 our stockholders might otherwise receive a premium for their shares. These provisions also could 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, because our board of directors is responsible for appointing the members of our management team, 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. Among other things, these provisions:

- establish a classified board of directors such that not all members of our board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called “poison pill,” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least two-thirds of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our certificate of incorporation or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or the DGCL, 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.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, is the only sole source of gain for an investment in our common stock.

We have never declared or paid cash dividends on our capital 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 any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for an investor for the foreseeable future.

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for such disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine. We do not intend to have this choice of forum provision apply to, and this choice of forum provision will not apply to, actions arising under the Securities Act or the Exchange Act. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

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

Recent Sales of Unregistered Securities

On June 1, 2021, we granted a new employee an option to purchase 180,000 shares of our common stock as an inducement to employment in accordance with Nasdaq Listing Rule 5635(c)(4). The stock option is scheduled to become exercisable as to one-fourth of the shares underlying the option on each anniversary of the new employee's start date, subject to the recipient's continued service. The option has an exercise price of $3.75 per share.

On July 1, 2021, we granted a new employee an option to purchase 235,000 shares of our common stock as an inducement to employment in accordance with Nasdaq Listing Rule 5635(c)(4). The stock option is scheduled to become exercisable as to one-fourth of the shares underlying the option on each anniversary of the new employee's start date, subject to the recipient's continued service. The option has an exercise price of $3.77 per share.

No underwriters were involved in the foregoing issuance of securities. The securities were issued pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, relating to transactions by an issuer not involving any public offering. The recipients either received adequate information about us or had access, through other relationships, to such information.

Item 6. Exhibits.

Exhibit Number	Description
10.1*	Lease, dated June 15, 2021, between Solid Biosciences, Inc. and Hood Park LLC.
10.2	Amendment No. 1 to 2020 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-38360) filed with the SEC on June 17, 2021).
10.3	2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-38360) filed with the SEC on June 17, 2021).
10.4*	Form of Nonstatutory Inducement Stock Option Agreement.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

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.

Solid Biosciences Inc.

Date: August 16, 2021

By: /s/ Ilan Ganot

Ilan Ganot
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 16, 2021

By: /s/ Stephen DiPalma

Stephen DiPalma
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

LEASE

LANDLORD:	Hood Park LLC, a Massachusetts limited liability company
TENANT:	Solid Biosciences Inc., a Delaware corporation
PREMISES:	Hood Park, Charlestown, Massachusetts
DATED:	June 15, 2021

TABLE OF CONTENTS

Lease dated as of the 15th day of June, 2021 by and between Hood Park LLC, a Massachusetts limited liability company, as landlord ("Landlord"), and Solid Biosciences Inc., a Delaware corporation, as tenant ("Tenant").

ARTICLE I
REFERENCE DATA

(A) SUBJECTS REFERRED TO:

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Section 1(A):

LANDLORD'S ADDRESS:	6 Kimball Lane Lynnfield, Massachusetts 01940
LANDLORD'S MANAGING AGENT:	Nordblom Company 71 Third Avenue Burlington, Massachusetts 01803

TENANT'S ADDRESS: Prior to the Commencement Date:

141 Portland Street – 5th Floor
Cambridge, Massachusetts 02139

After the Commencement Date:

500 Rutherford Avenue
Charlestown, Massachusetts 02129

BUILDING: That certain building designated as "500 Rutherford Avenue" upon Exhibit A.

RENTABLE FLOOR AREA OF TENANT'S SPACE: Approximately 49,869 rentable square feet located on the third (3rd) floor of the Building.

TOTAL RENTABLE FLOOR AREA OF THE BUILDING: Approximately 361,101 rentable square feet.

COMMENCEMENT DATE: The later of (i) the date Landlord delivers the Demised Premises to Tenant with the Demised Premises demised from the remaining portion of the Building with all base building systems, including, without limitation, HVAC, life safety and plumbing systems in good working condition, free of all occupants, and with the items designated as Landlord's responsibility on Exhibit B-1 attached hereto (the "Landlord's Delivery Conditions") satisfied, or (ii) the earlier of (a) the date the Tenant's Work (as defined herein) is substantially completed, (b) the date the Tenant commences

business operations in the Demised Premises, or (c) the one hundred twentieth (120th) day following Landlord's satisfaction of Item (i) above.

TENANT'S DESIGN COMPLETION DATE: Thirty (30) days from the date of this Lease.

INITIAL TERM: The period commencing on the Commencement Date and expiring on the last day of the one hundred twentieth (120th) full calendar month following the Rent Commencement Date.

OPTION TERM: One (1) option to extend the Term for five (5) years as set forth in Article XIII below.

RENT COMMENCEMENT DATE: The sixty-first (61st) day following the Commencement Date.

FIXED RENT:

Commencing on the Rent Commencement Date and through the last day of the twelfth (12th) full calendar month following the Rent Commencement Date – $3,665,371.50 per annum ($73.50 per rentable square foot of the Demised Premises) payable in equal monthly installments of $305,447.63;

Commencing on the first (1st) day of the thirteenth (13th) full calendar month following the Rent Commencement Date and through the last day of the twenty-fourth (24th) full calendar month following the Rent Commencement Date - $3,775,581.99 per annum ($75.71 per rentable square foot of the Demised Premises) payable in equal monthly installments of $314,631.83;

Commencing on the first (1st) day of the twenty-fifth (25th) full calendar month following the Rent Commencement Date and through the last day of the thirty-sixth (36th) full calendar month following the Rent Commencement Date - $3,888,784.62 per annum ($77.98 per rentable square foot of the Demised Premises) payable in equal monthly installments of $324,065.39;

Commencing on the first (1st) day of the thirty-seventh (37th) full calendar month following the Rent Commencement Date and through the last day of the forty-eighth (48th) full calendar month following the Rent Commencement Date - $4,005,478.08 per annum ($80.32 per rentable square foot of the Demised Premises) payable in equal monthly installments of $333,789.84;

Commencing on the first (1st) day of the forty-ninth (49th) full calendar month following the Rent Commencement Date and through the last day of the sixtieth (60th) full calendar month following the Rent Commencement Date -

$4,125,163.68 per annum ($82.72 per rentable square foot of the Demised Premises) payable in equal monthly installments of $343,763.64;

Commencing on the first (1st) day of the sixty-first (61st) full calendar month following the Rent Commencement Date and through the last day of the seventy-second (72nd) full calendar month following the Rent Commencement Date - $4,249,337.49 per annum ($85.21 per rentable square foot of the Demised Premises) payable in equal monthly installments of $354,111.46;

Commencing on the first (1st) day of the seventy-third (73rd) full calendar month following the Rent Commencement Date and through the last day of the eighty-fourth (84th) full calendar month following the Rent Commencement Date – $4,376,503.44 per annum ($87.76 per rentable square foot of the Demised Premises) payable in equal monthly installments of $364,708.62;

Commencing on the first (1st) day of the eighty-fifth (85th) full calendar month following the Rent Commencement Date and through the last day of the ninety-sixth (96th) full calendar month following the Rent Commencement Date – $4,508,157.60 per annum ($90.40 per rentable square foot of the Demised Premises) payable in equal monthly installments of $375,679.80;

Commencing on the first (1st) day of the ninety-seventh (97th) full calendar month following the Rent Commencement Date and through the last day of the one hundred eighth (108th) full calendar month following the Rent Commencement Date – $4,643,302.59 per annum ($93.11per rentable square foot of the Demised Premises) payable in equal monthly installments of $386,941.88; and

Commencing on the first (1st) day of the one hundred ninth (109th) full calendar month following the Rent Commencement Date and through the last day of the one hundred twentieth (120th) full calendar month following the Rent Commencement Date – $4,782,437.10 per annum ($95.90 per rentable square foot of the Demised Premises) payable in equal monthly installments of $398,536.43.

ADDITIONAL RENT FOR TAXES AND OPERATING EXPENSES: As set forth in Article V of this Lease.

SECURITY DEPOSIT: $1,832,685.75 in the form of a letter of credit, which letter of credit shall be subject to reduction, as set forth in Article XI hereof.

PERMITTED USE: General office, laboratory, research and development, and manufacturing uses and such other legal uses ancillary thereto which are consistent with Landlord’s operation of Hood Park, as reasonably determined by Landlord.

COMMERCIAL GENERAL LIABILITY INSURANCE LIMITS: As set forth in Section (8) of Article VI of this Lease.

(B) EXHIBITS

The exhibits listed below in this Section are incorporated in this Lease by reference and are to be construed as part of this Lease:

EXHIBIT A	Plan Showing Location of the Building
EXHIBIT A-1	Plan Showing Demised Premises
EXHIBIT B-1	Landlord's Delivery Conditions
EXHIBIT B-2	Tenant's Work
EXHIBIT B-3	Construction Schedule
EXHIBIT C	Landlord's Services
EXHIBIT D	Rules and Regulations
EXHIBIT E	Legal Description of Lot
EXHIBIT F	List of Hazardous Substances and Materials
EXHIBIT G	Plan of ROFO Space
EXHIBIT H	Plan Showing Location of Rooftop Deck

ARTICLE II
PREMISES

Subject to and with the benefit of the provisions of this Lease, Landlord hereby leases to Tenant, and Tenant leases from Landlord, Tenant's space in the Building (as shown on Exhibit A-1), all common facilities of the Building and all building service fixtures and equipment serving (exclusively or in common) other parts of the Building, but excluding exterior faces of exterior walls,. Tenant's space includes 49,869 rentable square feet of space located on the third (3rd) floor of the Building. The Building is outlined in red upon the plan attached as Exhibit A. Tenant's space, with such exclusions, is hereinafter referred to collectively as the "Demised Premises". Tenant shall have, as appurtenant to the Demised Premises, the right to use in common with others entitled thereto, subject to reasonable rules from time to time made by Landlord of which Tenant is given notice: (i) the common facilities from time to time included in the Building or on the parcel of land on which the Building is located (said parcel being more particularly described in Exhibit E and being hereafter referred to as the "Lot"), to the extent from time to time designated by Landlord; and (ii) the building service fixtures and equipment serving the Demised Premises. The Lot is represented by the area outlined by a bold line upon said Exhibit A. It is understood and agreed that said plan is intended only to show the approximate size of the Lot as presently constituted and the approximate size and location of the Building and for no other purpose. Landlord reserves the right from time to time (a) to install, repair, replace, use, maintain and relocate for service to the Demised Premises and to other parts of the Building or either, building service fixtures and equipment wherever located in the Building; (b) to alter, relocate or eliminate any other common facility; (c) to designate specific parking areas upon the Lot to be for the exclusive use of one or more users thereof; (d) to designate specific traffic routes for trucks and other delivery vehicles; (e) to alter the size of the Building, including, without limitation, converting warehouse space to office or laboratory space, office space to warehouse or laboratory space, or laboratory to office or warehouse space; and (f) to increase and/or decrease the size of the Lot by the acquisition of adjacent land and/or

the disposition of any portions thereof. No such increase or decrease shall be deemed to have occurred until Landlord shall give Tenant notice thereof. Landlord shall make available to Tenant on a non-reserved, first come-first serve basis, one (1) parking space per one thousand (1,000) rentable square foot of floor area of the Demised Premises in the parking areas/garage serving the Building, which parking spaces shall be at no additional cost to Tenant during the initial Term (however, after the initial Term, in the event the Term is extended, Landlord may charge Tenant a monthly fee for the use of such parking spaces based on the fair market value of similar parking spaces in accessory, on-site parking garages located in Charlestown and Somerville, Massachusetts, which fee shall be subject to adjustment from time to time). To the extent available, Landlord may provide Tenant with additional parking spaces in the 100 Hood Park Drive garage on a month to month basis upon written request of Tenant at a monthly charge per parking space based on the fair market value of similar parking spaces in accessory, on-site parking garages located in Charlestown and Somerville, Massachusetts, which fee shall be subject to adjustment from time to time.

ARTICLE III
TERM AND CONSTRUCTION

(A) TERM

To have and to hold for a period (the "Term") commencing on the Commencement Date (as defined in Section (A) of Article I above) and, unless sooner terminated or extended as provided herein, ending at the end of the Term; provided that if the Term (calculated as aforesaid) would expire prior to the last day of a calendar month, the Term shall be extended so as to expire on the last day of such calendar month. Promptly after the Rent Commencement Date, Landlord and Tenant shall execute a Commencement Date Agreement setting forth the commencement, rent commencement and expiration dates and the Term of this Lease.

(B) DELIVERY

The Landlord shall deliver the Demised Premises free of all occupants, personal property, trade fixtures and equipment which shall be accepted by Tenant without any warranty of fitness for use or occupancy, expressed or implied. Landlord, at Landlord's sole cost and expense, shall be responsible for demising the Demised Premises from the remaining portion of the Building and for causing the Demised Premises to comply with the Delivery Conditions and shall use good faith and commercially reasonable efforts to cause the Delivery Conditions to be satisfied in accordance with the construction schedule attached hereto as Exhibit B-3 (the "Construction Schedule"). Tenant acknowledges that is has inspected the Demised Premises, and it is understood and agreed that, except for Landlord's obligation to demise the Demised Premises from the remaining portion of the Building with all base building systems, including, without limitation, HVAC, life safety and plumbing systems in good working condition, and to satisfy the Landlord's Delivery Conditions, Landlord shall be under no obligation to make any repairs, alterations or improvements to the Demised Premises prior to or at the commencement of the term hereof or at any time thereafter, except as otherwise set forth in this Lease. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree that Landlord's work in

connection with satisfying the Delivery Conditions and Tenant's Work (described below), as reflected on the Construction Schedule, are intended to be performed concurrently. Accordingly, Landlord and Tenant shall cooperate in good faith to coordinate the completion of any work being performed by Landlord with the performance and completion of the Tenant's Work so that Landlord work and Tenant's Work can be completed in an efficient and timely manner. Notwithstanding the foregoing, if Landlord has not satisfied the Delivery Conditions within thirty (30) days following the estimated date of completion of the Delivery Conditions as shown on the Construction Schedule and such delay is not otherwise caused by a Force Majeure or by Tenant (and such Force Majeure event or Tenant delay was identified in writing by Landlord to Tenant within five (5) days of the commencement of such delay), Tenant's obligation to pay its monthly installment of Fixed Rent shall abate one (1) day for each day which occurs between such thirtieth (30th) day following the estimated date of completion of the Delivery Conditions as shown on the Construction Schedule and the date the Landlord has satisfied the Delivery Conditions. Notwithstanding the foregoing, if Landlord has not satisfied the Delivery Conditions within nine (9) months following the estimated date of completion of the Delivery Conditions as shown on the Construction Schedule and such delay is not otherwise caused by a Force Majeure or by Tenant (and such Force Majeure event or Tenant delay was identified in writing by Landlord to Tenant within five (5) days of the commencement of such delay), Tenant may, at Tenant's option, exercisable by written notice to Landlord at any time following such ninth (9th) month but before Landlord has satisfied the Delivery Conditions, terminate this Lease on the date specified in said termination notice to Landlord, and upon such termination this Lease shall be of no further force and effect, without further liabilities or obligations, except for those that expressly survive the expiration or termination this Lease. The provisions of this Article III (B) shall survive the termination of this Lease.

(C) TENANT'S WORK

Tenant shall perform, at its own cost and expense (but subject to the Allowance and the Additional Allowance defined below), any work required to prepare the Demised Premises for Tenant's occupancy ("Tenant's Work"), such Tenant's Work shall be performed in accordance the provisions of Exhibit B-2 attached hereto and the Landlord's construction rules and regulations, and shall equip the Demised Premises with all trade fixtures and personal property suitable or appropriate to the regular and normal operation of the type of business in which Tenant is engaged. Tenant shall commence Tenant's Work promptly following the Landlord's approval of Tenant's plans, budget and completion schedule for the Tenant's Work (subject to coordination with Landlord as Landlord performs work to satisfy the Delivery Conditions), and shall diligently pursue same to completion in accordance with the Construction Schedule.

(D) GENERAL CONSTRUCTION PROVISIONS

All construction work required or permitted by this Lease, whether by Landlord or by Tenant, shall be done in a good and workmanlike manner in compliance with all applicable laws and all lawful ordinances, regulations and orders of governmental authorities and insurance rating or inspection bureaus having jurisdiction over the Building. Either party may inspect the work or the other at reasonable times and shall promptly give notice of observed defects.

(E) REIMBURSEMENT FOR TENANT'S WORK/ALLOWANCE

As an inducement for Tenant to execute this Lease and prepare the Demised Premises for Tenant's occupancy, Landlord shall reimburse Tenant an amount up to and not to exceed $10,223,145.00 ($205.00 per rentable square feet of the Demised Premises) for the cost of the design and construction of the initial Tenant's Work (the "Allowance") that is completed within the one (1) year anniversary of the Rent Commencement Date. In no event shall Landlord have any obligation to reimburse Tenant for any portion of the Allowance for any Tenant's Work completed after the one (1) year anniversary of the Rent Commencement Date. In addition, in no event shall Landlord have any obligation to reimburse Tenant for any portion of the Allowance for any Tenant's Work completed prior to the one (1) year anniversary of the Rent Commencement Date unless Tenant has submitted a requisition for such reimbursement within fifteen (15) months following the Rent Commencement Date. The Allowance shall be utilized for so-called "hard" and "soft" costs of Tenant's Work, however, no more than $2,044,629.00 ($41.00 per rentable square feet of the Demised Premises) may be used for Tenant's architectural fees, construction management, mechanical, electrical and plumbing documents, office furniture, or legal fees (the "Soft Cost Portion of the Allowance"). As completion of the Tenant's Work progresses, Tenant may submit requisitions for reimbursement to Landlord from time to time (but not more frequently than once per month) and Landlord shall pay the portion of the Allowance in the amount set forth in the requisition at Tenant's election, either (a) to Tenant within thirty (30) days following receipt of Tenant's requisition, together with partial lien waivers, third party paid invoices and other documentation reasonably requested by Landlord relating to Tenant's Work covered by the requisition or (b) directly to Tenant's general contractor within thirty (30) days following receipt of Tenant's requisition, together with partial lien waivers, third party invoices and other documentation reasonably requested by Landlord relating to Tenant's Work covered by the requisition. Landlord shall pay the final reimbursement of the Allowance within thirty (30) days following Landlord's receipt of all of the following: (1) a detailed statement, including requisitions from Tenant's general contractor, third party paid invoices and other documentation reasonably requested by Landlord evidencing the total cost of, and payment for, actual work done in connection with the Landlord approved plans for Tenant's Work (and Landlord shall have the right, upon reasonable advance notice to Tenant, to inspect Tenant's books and records relating to such statement in order to verify the amount thereof); (2) final and unconditional lien waivers relating to items, services and work performed in connection with all phases or portions of Tenant's Work (and, if requested, the statutory period shall have elapsed since Tenant's general contractor has properly recorded its Notice of Substantial Completion in Suffolk Registry of Deeds in accordance with MGL Ch. 254 and has provided Landlord with satisfactory evidence that all subcontractors and vendors have been provided with a copy of the recorded notice); (3) "as-built" plans showing the completion of Tenant's Work; (4) reasonable evidence that Tenant's Work has been completed in accordance with the approved plans; and (5) a copy of a certificate of occupancy for the Demised Premises issued by the appropriate department of the City of Boston. Notwithstanding anything to the contrary contained in this Lease: (i) Landlord's obligation to reimburse Tenant for any portion of the Allowance shall be conditioned upon there being no then existing Event of Default by Tenant in its obligations under this Lease beyond any applicable notice and cure periods at the time that Landlord would be required to make such payment; and (ii) Landlord shall have no obligation to advance any funds or pay any amount on account of Tenant's Work in excess of the Allowance,

such payment obligation to be Tenant's. It is expressly understood and agreed that except for Tenant's movable trade fixtures, furniture and equipment, all of Tenant's Work shall be property of Landlord whether or not the actual cost shall exceed the Allowance, unless specifically stated to the contrary at the time Landlord approves any plans therefor.

(F) ADDITIONAL ALLOWANCE

In addition to the Allowance, Tenant may elect, by giving Landlord written notice thereof at any time prior to the Commencement Date, to receive from Landlord an additional improvement allowance amount of up to $498,690.00 ($10.00 per square foot of rentable area of the Demised Premises) (the "Additional Allowance") to be added to the Allowance and used for the purposes the Allowance is used. The Additional Allowance will be funded and paid by Landlord to Tenant in accordance with the procedures, terms and conditions for funding/payment/expiration of the Allowance set forth in Section (E) above. In the event Tenant elects to use such Additional Allowance, the monthly amount calculated to fully amortize the total amount of the Additional Allowance so used by Tenant, on a so-called straight-line basis, over a term commencing on the Rent Commencement Date and ending on the scheduled expiration of the Term using an annual rate of interest of eight percent (8%) shall be added to Tenant's Monthly Installment of Fixed Rent commencing on the Rent Commencement Date and continuing throughout the Term. The amount of Additional Allowance so used, if any, and the additional monthly payment therefor shall be included in the Commencement Date Agreement described in Section (A) above. Further, if Tenant does not elect, by written notice thereof to Landlord on or before the Commencement Date, Tenant may not use any portion of the Additional Allowance.

ARTICLE IV
LANDLORD'S COVENANTS

(A) LANDLORD'S COVENANTS DURING THE TERM:

Landlord covenants during the Term:

(1) To furnish, through Landlord's employees or independent contractors, the services, utilities and/or facilities for connection to utilities listed in Exhibit C and Exhibit B-1;

(2) Except as otherwise provided in this Lease, to maintain, repair and replace structural elements of the Building, the roof, exterior walls, utilities, pipes, conduits, drains and all other building systems (including, without limitation, the heating, ventilating and air conditioning, electrical, life safety, and plumbing systems) and the common facilities of the Building and the Lot in good order, condition and repair and in compliance with all laws, including without limitation, Title III of The Americans With Disabilities Act of 1990, as amended from time to time, or any applicable local or state law regarding handicapped access as such are enforced by local authorities having applicable jurisdiction, however, Tenant shall be solely responsible for the maintenance, repair and replacement of any specialty or non-office

standard equipment, including without limitation, any supplemental heating, ventilation and air conditioning equipment, installed by or for Tenant that exclusively serves the Premises (and Landlord shall have no obligation to maintain, repair or replace same). Landlord shall provide snow and ice removal from the driveways, sidewalks, driveways, stairs, entrances and loading docks on the Lot;

(3) To defend Tenant, with counsel acceptable to Tenant, save Tenant harmless from, and indemnify Tenant against any liability for injury, loss, accident or damage to any person or property and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without implied limitation, reasonable counsel's fees): (i) arising from the omission, fault, willful act, negligence or other misconduct of Landlord or anyone claiming under Landlord, or (ii) resulting from the failure of Landlord to perform and discharge its covenants and obligations under this Lease; and

(4) To maintain at all times: (a) special form property insurance coverage in an amount equal to the full replacement value of all buildings and improvements on the Lot, including, the Building, made by Landlord (excluding Tenant's property and/or any improvements made by Tenant); and (b) commercial general liability insurance covering the common areas, including contractual liability coverage, (i) in the minimum amounts of One Million and No/100 Dollars ($1,000,000.00) per occurrence, with an annual aggregate limit of Two Million and No/100 Dollars ($2,000,000.00), and (ii) an umbrella policy in the minimum coverage amount of Four Million and No/100 Dollars ($4,000,000.00) per occurrence, with an annual aggregate limit of Four Million and No/100 Dollars ($4,000,000.00).

(B) INTERRUPTIONS

Notwithstanding anything in this Lease to the contrary, if an Interruption (as defined below) shall occur, Landlord shall not be liable to Tenant for any compensation or reduction of rent by reason of inconvenience or annoyance or for loss of business arising from (a) power losses or shortages, or (b) the necessity of Landlord's entering the Demised Premises for any of the purposes set forth in this Lease, including without limitation, for repairing or altering any portion of the Building, or for bringing materials into and/or through the Demised Premises in connection with the making of repairs or alterations as the same may be reasonably necessary; provided, however, that Landlord shall use commercially reasonable efforts to have such power restored as soon as practicable and to minimize any interference with Tenant's use and access to the Demised Premises.

In case of any power losses or shortages with respect to power or connection to power Landlord is required to provide under this Lease or is otherwise within Landlord's reasonable control, or Landlord is prevented or delayed from making any repairs, alterations or improvements or furnishing any service or performing any other covenant or duty to be performed on Landlord's part (any such power losses or shortages or such prevention, delay, interruption, suspension, or stoppage, an "Interruption"), by reason of any cause reasonably beyond Landlord's control, Landlord shall not be liable to Tenant therefor, nor, except as expressly otherwise provided in this Section 4(B) or Article VIII, shall Tenant be entitled to any abatement or reduction of rent by reason thereof, nor shall the same give rise to a claim in

Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Demised Premises. Landlord reserves the right to stop any service or utility system when necessary in Landlord's opinion by reason of accident or emergency or until necessary repairs have been completed, which Landlord shall use diligent efforts to complete as soon as reasonably practicable. Except in case of emergency repairs, Landlord will give Tenant reasonable advance notice (of no less than three business days) of any contemplated stoppage and, in any event, Landlord will use commercially reasonable efforts to avoid unnecessary inconvenience to Tenant, by reason thereof.

Notwithstanding anything in this Lease to the contrary, if (i) an Interruption shall occur, except and to the extent due to the negligence or willful misconduct of Tenant or Tenant's agents employees, contractors or invitees, (ii) such Interruption continues for more than five (5) consecutive days after Landlord shall have received written notice thereof from Tenant, and (iii) as a result of such Interruption, Tenant's normal business operations in the Demised Premises are materially and adversely affected, then there shall be an abatement of one day's Fixed Rent, Tenant's Share of Taxes (as defined below), and Tenant's Share of Operating Expenses (as defined below) for each day such Interruption continues after such five (5) day period; provided, however, if the entire Premises have not been rendered unusable for the Permitted Use by the Interruption, the amount of abatement shall be equitably prorated.

ARTICLE V
RENT

(A) FIXED RENT

Tenant agrees to pay, without any offset or reduction whatever (except as made in accordance with the express provisions of this Lease), fixed monthly rent equal to 1/12th of the Fixed Rent, such rent to be paid, commencing on the Rent Commencement Date, in equal installments in advance on the first day of each calendar month included in the Term; and for any portion of a calendar month at the beginning or end of the Term, a portion of such fixed monthly rent, prorated on a per diem basis. All payments of Fixed and additional rent shall be made in lawful money of the United States and shall be made to Hood Park LLC and sent to Landlord's Managing Agent at Managing Agent's Address set forth in Section (A) of Article I above, or to such other person and/or at such other address as Landlord may from time to time designate in writing.

If any payment of rent or any other payment payable hereunder by Tenant to Landlord shall not be paid when due, the same shall bear interest from the date when the same was payable until the date paid at the lesser of (a) eighteen percent (18%) per annum, or (b) the highest lawful rate of interest which Landlord may charge to Tenant without violating any applicable law. Such interest shall constitute additional rent payable hereunder. Notwithstanding the foregoing, such late payment fee/penalty shall be waived the first time in any twelve (12) consecutive month period that such late payment may occur so long as Tenant has paid such amount due within

seven (7) days of receipt of written notice from Landlord of Tenant's failure to pay such amount when due.

(B) ADDITIONAL RENT - TAXES

(1) For the purposes of this Section, "Tax Year" shall mean the twelve-month period in use in the City of Boston for the purpose of imposing ad valorem taxes upon real property. In the event that said City changes the period of its tax year, "Tax Year" shall mean a twelve-month period commencing on the first day of such new tax year, and each twelve-month period commencing on an anniversary of such date during the Term of this Lease. For purposes of this Section the "Property" shall mean the Lot and all improvements thereon from time to time, including the Building; and the "Factor" shall mean a fraction the numerator of which is the Rentable Floor Area of Tenant's Space and the denominator of which is the Total Rentable Floor Area of the Building. For purposes of this Section the "Building's Share of Real Estate Taxes" shall mean the sum of (i) the real estate taxes upon the Building plus (ii) the product of the real estate taxes upon the Lot and a fraction the numerator of which is the Total Rentable Floor Area of the Building, and the denominator of which is the number of square feet of rentable floor area contained within all buildings located upon the Lot provided, however, that for purposes of this subsection (ii), (x) if any portion of the Lot shall be separately assessed, the real estate taxes toward which Tenant shall be obligated to contribute shall include only those taxes on those portions of the Lot jointly assessed with the portion of the Lot on which the Building is located; and the denominator of said fraction shall be the number of square feet of rentable floor area of tenant spaces contained within all buildings located upon those portions of the Lot which are jointly assessed with the portion of the Lot on which the Building is located; and (y) the denominator shall not include any portion of the parking garage located on the third (3rd) through seventh (7th) floors of the building located at 100 Hood Park Drive (the "Parking Garage"). For purposes of clarification, Landlord and Tenant hereby acknowledge and agree that the Parking Garage is intended to be a common area cost of the Lot and not a cost specifically attributable to any particular building. In addition, in the event Landlord agrees to any special assessment by any transit district authority or any other governmental entity which benefits all tenants and occupants of the Lot, the cost thereof shall be a common area cost of the Lot and not a cost specifically attributable to any particular building. Landlord reserves the right to equitably adjust the calculation of the Factor and the Building's Share of Real Estate Taxes with respect to Taxes as reasonably determined by Landlord.

(2) Commencing on the Rent Commencement Date, Tenant shall pay to Landlord, as additional rent, an amount equal to the Building's Share of Real Estate Taxes imposed with respect to the Property for the Tax Year in question multiplied by the Factor, such amount to be apportioned on a per diem basis for any fraction of a Tax Year contained within the Term.

(3) If Landlord shall receive any tax refund or rebate or sum in lieu thereof with respect to any Tax Year, then out of any balance remaining thereof, after deducting Landlord's expenses incurred in obtaining such refund, rebate or other sum, Landlord shall pay to Tenant, provided that Tenant is not then in default in the performance of any of its monetary obligations under this Lease, an amount equal to the Building's Share of such balance multiplied by the Factor; but in no event shall Landlord pay to Tenant out of such refund, rebate or other

sum for any Tax Year more than the amount paid by Tenant to Landlord pursuant to this Section (B) for such Tax Year.

(4) Any betterment assessment, so-called "rent tax" or any other tax levied or imposed by any governmental authority in addition to, in lieu of or as a substitute for real estate taxes shall nevertheless be deemed to be real estate taxes for the purpose of this Section 4.2. Furthermore, to the extent that any equipment installed as part of the Property (e.g. heating or air conditioning equipment) shall be classified as personal property for purposes of taxation, any personal property taxes thereon shall be deemed to be real estate taxes for purposes of this Section (B).

(5) In the event of any taking by eminent domain under circumstances whereby this Lease shall not terminate, each of the Building's Share of Real Estate Taxes and the Factor shall be adjusted in order to reflect any change in rentable floor area.

(C) ADDITIONAL RENT - OPERATING COSTS

(1) For the purposes of this Section, the following terms shall have the following respective meanings:

Operating Year: Each successive fiscal year (as adopted by Landlord) in which any part of the Term of this lease shall fall.

"Operating Expenses" shall mean all costs or expenses incurred for the management, operation, cleaning, maintenance, repair and upkeep of the Property, including, without limitation, all costs of maintaining and repairing the Property (including snow removal, landscaping and grounds maintenance parking lot operation and maintenance, garage operation and maintenance, security, operation and repair of ventilating and air-conditioning equipment, elevators, lighting and any other Building equipment or systems) and of all repairs and replacements (other than repairs or replacements for which Landlord has received full reimbursement from contractors, other tenants of the Building or from others) necessary to keep the Property in good working order, repair, appearance and condition; all costs, including material and equipment costs for cleaning and janitorial services to the Building (including window cleaning of the Building); all costs of any reasonable insurance carried by Landlord relating to the Property; all costs related to provision of heat (including oil, electric, steam and/or gas), air-conditioning, and water (including sewer charges) and other utilities to the Common Areas; payments under all service contracts relating to the foregoing; all compensation, fringe benefits, payroll taxes and workmen's compensation insurance premiums related thereto with respect to any employees of Landlord or its affiliates engaged in security and maintenance of the Property; all costs and expenses incurred for providing amenities and or services to tenants and occupants of the Property, including without limitation, shuttle services; attorneys' fees and disbursements (exclusive of any such fees and disbursements incurred in tax abatement proceedings or the preparation of leases) and auditing and other professional fees and expenses directly related to the management, operation, cleaning, maintenance, repair and upkeep of the Property; and a management fee at market rates customarily paid with respect to buildings

similar to the Building (which shall not exceed four percent (4.0%) of gross receipts of the Property).

There shall not be included in such Operating Expenses any of the following:

(i) brokerage commissions or other related costs (*e.g.*, attorneys' fees and costs, concessions, allowances, and the like) incurred in leasing space in the Property,

(ii) salaries of personnel not directly employed in the management/operation of the Property or above the grade of general manager (it being understood that "general manager" shall mean the individual responsible for the management, maintenance and operation of the Property, whose time is devoted exclusively to the Property, provided, however, is such individual devotes any time to other buildings or properties of Landlord (or an affiliate of Landlord), such salary shall be fairly apportioned among all such buildings or properties of Landlord or such affiliate),

(iii) the cost of work done by Landlord for a particular tenant for which Landlord has the right to be reimbursed by such tenant,

(iv) intentionally omitted,

(v) Capital expenditures, depreciation and amortization, except for Capital Expenditures (as defined below),

(vi) Interest on debt, amortization payments and other fees payable under any mortgage or mortgages, and rental under any ground or underlying lease or leases,

(vii) All items and services for which Tenant is separately charged, reimburses Landlord or pays third persons,

(viii) Advertising and promotional expenditures,

(ix) The costs, including permit, license and inspection costs, incurred with renovating or otherwise improving, decorating, painting or redecorating space for specific tenants or occupants of the Property,

(x) Attorneys' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with tenants, other occupants, or prospective tenants or occupants,

(xi) Repairs or other work occasioned by fire, windstorm or other casualty to the extent the cost of same are reimbursed by insurance or by the exercise of eminent domain (however, applicable insurance deductibles may be included in Operating Expenses),

(xii) Damages and penalties incurred due to violation by Landlord or any tenant of the terms and conditions of any lease with such other tenant,

(xiii) Landlord's costs of services that are sold to other tenants as an additional charge or rental over and above the basic rent, tax escalation, and operating expense escalation payable under Landlord's lease with such tenant,

(xiv) The costs of signs identifying any specific tenants, except for the directory, wayfinding, monument and other common signage in or about the Building (however, the cost of any signage used in the branding of Hood Park may be included in Operating Expenses),

(xv) Expenses in connection with services or other benefits of a type which are not provided or offered to Tenant but which are provided to another tenant or occupant of the Property,

(xvi) Any fines or penalties incurred due to violations by Landlord of any governmental rule or authority,

(xvii) The net (i.e. net of the reasonable costs of collection) amount recovered by Landlord under any warranty or service agreement form any contractor or service provider,

(xviii) The cost of testing, remediation or removal of hazardous materials in the Property,

(xix) Landlord's general corporate overhead and general and administrative expenses (except to the extent of the management fee described above),

(xx) The cost of any electricity provided to any leased space in the Property (i.e., other than to common areas and facilities),

(xxi) Costs incurred in connection with upgrading the Building or Property to cure any violations existing prior to the date of this Lease of any disability, life, fire and safety codes, ordinances, statutes, or other laws in effect as such are enforced by local authorities having applicable jurisdiction and applicable to the Building or Property prior to the date of this Lease, including, without limitation, the Americans With Disabilities Act, including penalties or damages incurred due to such non-compliance,

(xxii) Any ground lease rental(s),

(xxiii) Costs associated with the operation of the business of the partnership or entity which constitutes Landlord as the same are distinguished from the costs of operation of the Property, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating any Landlord's interest in the Building or Property, costs of any disputes between Landlord and its employees, disputes of Landlord with Property management, or outside fees paid in connection with disputes with other tenants,

(xxiv) Any "above–standard" cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events and specific tenant requirements in excess of services provided to Tenant, including related trash collection, removal, hauling and

dumping, unless any such costs or expenses for parties or events are for the benefit of all tenants of the Property,

(xxv) Rentals and other related expenses incurred in leasing HVAC systems, elevators or other equipment ordinarily considered to be capital items, except for (1) expenses in connection with making repairs on or keeping building systems in operation while minor repairs are being made, and (2) costs of equipment not affixed to the building on the Property which is used in providing janitorial or other services which are beneficial to all tenants, occupants and invitees of the Property,

(xxvi) Marketing costs,

(xxvii) Costs of any “tap fees” or any sewer or water connection fees for the benefit of any particular tenant in the Property,

(xxviii) “In-house” accounting fees (except to the extent of the management fee described above),

(xxx) Tax penalties incurred as a result of Landlord’s negligence, inability or unwillingness to make payments and/or to file any tax or informational returns when due, and

(xxxi) Costs arising from the ascertained negligence or fault of other tenants or Landlord or its agents, or any vendors, contractors, or providers of materials or services selected, hire or engaged by Landlord or its agents.

If Landlord shall replace any capital items or make any capital expenditures reasonably necessary to maintain the structural integrity of the Premises or the Building or of the utility systems servicing the Premises, or which result in reducing Operating Expenses (collectively called “Capital Expenditures”) the total amount of which is not properly included in Operating Expenses for the calendar year in which they were made, there shall nevertheless be included in Operating Expenses for each calendar year in which and after such Capital Expenditure is made the annual charge-off of such Capital Expenditure. Annual charge-off shall be determined by (i) dividing the original cost of the Capital Expenditure by the number of years of useful life thereof (the useful life shall be reasonably determined by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of acquisition of the capital item); and (ii) adding to such quotient an interest factor computed on the unamortized balance of such Capital Expenditure based upon an interest rate reasonably determined by Landlord as being the interest rate then being charged for long term mortgages by institutional lenders on like properties within the locality in which the Building is located.) Provided, further, that if Landlord reasonably concludes on the basis of engineering estimates that a particular capital expenditure will effect savings in Operating Expenses and that such annual projected savings will exceed the annual charge-off of capital expenditure computed as aforesaid, then and in such events, the annual charge-off shall be shall be determined by dividing the amount of such capital expenditure by the number of years over which the projected amount of such savings shall fully amortize the cost of such capital item or the amount of such capital expenditure; and by adding the interest factor, as aforesaid. In the event the Building is not at least ninety-five percent (95%) occupied during any year of the Term, Operating Expenses may be "grossed up"

by increasing the variable components of Operating Expenses to the amount which Landlord projects would have been incurred had the Building been ninety-five percent (95%) occupied during such year, such amount to be annualized for any partial year. Landlord agrees that property taxes shall be based on annual assessments and shall not be "grossed up."

The foregoing are intended to describe only the extent of potential cost and expenses and impose no obligation on Landlord to incur same.

The Factor: As defined in Section (B) above.

Building's Share of Operating Expenses: One hundred percent (100%) of the Operating Expenses with respect to the Building plus the product of the Operating Expenses with respect to the Lot and a fraction the numerator of which is the Total Rentable Floor Area of the Building and the denominator of which is the rentable floor area contained within all of the buildings located upon the Lot, as reasonably determined by Landlord (which denominator shall not include any portion of the Parking Garage). Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree that Operating Expenses attributable to the Parking Garage shall be included as Operating Expenses of the Lot and not attributable to any particular building. Landlord reserves the right to equitably adjust the calculation of the Factor and the Building's Share of Operating Expenses with respect to Operating Expenses as reasonably determined by Landlord.

(2) Commencing on the Rent Commencement Date, Tenant shall pay to Landlord, as additional rent, an amount equal to the Building's Share of Operating Expenses for the Operating Year in question multiplied by the Factor, such amount to be apportioned on a per diem basis for any fraction of an Operating Year contained within the Term

(3) In the event of any taking by eminent domain under circumstances whereby this lease shall not terminate, each of the Building's Share of Operating Expenses and the Factor shall be appropriately adjusted to reflect any change in rentable floor area.

(D) MONTHLY PAYMENTS

Payment on account of the additional rent described in Sections (B) and (C) above shall be paid, as part of Tenant's total rent, monthly, and at the times and in the fashion herein provided for the payment of Fixed Rent. No later than one hundred twenty (120) days after the end of the first Tax Year and Operating Year, as the case may be, and no later than one hundred twenty (120) days after the end of each Tax Year and Operating Year thereafter, Landlord shall make a determination of Tenant's share of real estate taxes and Operating Expenses; and if the aforesaid payments theretofore made for such period by Tenant exceed Tenant's share, such overpayment shall be credited against the payments thereafter to be made by Tenant pursuant to this Section (D) or, if the term has expired or terminated, Landlord shall reimburse such amount to Tenant within thirty (30) days of such determination; and if Tenant's share is greater than such payments theretofore made on account for such period, Tenant shall make a suitable payment to Landlord. The monthly payment on account of said additional rent shall be replaced after Landlord's determination of Tenant's share for the preceding Tax Year and Operating Year, as

the case may be, by a payment which is one-twelfth (1/12th) of Tenant's actual share thereof for the immediately preceding Tax Year or Operating Year, as the case may be, with adjustments as appropriate where such period is less than a full twelve-month period. Appropriate adjustments shall be made in said monthly payment if the real estate taxes upon the Property for the current Tax Year shall be known prior to the end of said Tax Year and/or if real estate taxes shall be payable to the taxing authority in installments, all to the end that as each payment of real estate taxes shall become payable Landlord shall have received from Tenant payments sufficient in amount to pay Tenant's share of the Building's Share of Real Estate Taxes then payable by Landlord.

Landlord shall permit Tenant, at Tenant's sole cost and expense and during normal business hours, but only one time with respect to any Operating Year, to review Landlord's invoices and statements relating to the Operating Expenses for the applicable Operating Year for the purpose of verifying the Operating Expenses and Tenant's share thereof; provided that (i) notice of Tenant's desire to so review is given to Landlord not later than ninety (90) days after Tenant receives an annual statement from Landlord for a particular Operating Year, (ii) such review is commenced and prosecuted by Tenant with due diligence and completed no later than one hundred eighty (180) days after Landlord has provided Tenant with (or access to) the information reasonably necessary to conduct such review or audit, (iii) no audit or review shall be permitted if an Event of Default by Tenant with respect to a monetary obligation has occurred more than twice or is then existing under this Lease, including any failure by Tenant to pay an amount in dispute, (iv) such audit or review must be conducted by employees of Tenant or by an independent, nationally-recognized accounting firm or a local accounting firm reasonably acceptable to Landlord that is not being compensated by Tenant on a contingency fee basis and which has agreed with Landlord in writing to keep the results of such audit confidential by executing and delivering to Landlord a confidentiality agreement in the form reasonably acceptable to Landlord, and (v) in no event shall Tenant have the right to review or audit Operating Expenses for any Operating Year prior to the Operating Year to which such annual statement of Landlord applies. Any Operating Expenses statement or accounting by Landlord shall be binding and conclusive upon Tenant unless (i) Tenant duly requests such review within such ninety (90) day period set forth above, and (ii) within the one hundred eighty (180) day period set forth above, Tenant shall notify Landlord in writing that Tenant disputes the correctness of such statement, specifying the particular respects in which the statement is claimed to be incorrect. After conclusion of Tenant's audit, Tenant shall promptly provide Landlord with the results thereof and, if the results are not disputed by Landlord in good faith, (x) if the payments made by Tenant exceeded Tenant's required payment, Landlord shall reimburse Tenant such amount within thirty (30) days of receiving notice thereof from Tenant; but, if the required payments are greater than the payments made by Tenant, Tenant shall make payment to Landlord within thirty (30) days of such determination; and (ii) if it is determined that the total payable by Tenant hereunder has been overstated by more than five percent (5%), then Landlord shall also reimburse Tenant for the actual time billed, at a commercially reasonable hourly rate, by Tenant's auditor. In the event Landlord in good faith disputes the results of any such audit or review, the parties shall in good faith attempt to resolve any disputed items. If Landlord and Tenant are able to resolve such dispute, final settlement shall be made within thirty (30) days after resolution of the dispute. If the parties are unable to resolve any such dispute, any sum on which there is no longer dispute shall be paid and any remaining

disputed items shall be referred to a mutually satisfactory third party certified public accountant for final resolution. The cost of such certified public accountant shall be paid by the party found to be least accurate (in terms of dollars in dispute). The determination of such certified public accountant shall be final and binding and final settlement shall be made within thirty (30) days after receipt of such accountant's decision. Promptly upon the undisputed determination of the results of such audit or the resolution of a disputed audit or review, the parties shall execute a memorandum indicating acknowledgment of such determination or resolution, as the case may be.

(E) ADDITIONAL RENT - ELECTRICITY, GAS, WATER & SEWER

(1) Tenant shall pay for all electricity consumed within the Demised Premises (including, without limitation, plugs and lights, VAV/reheat boxes, and any supplemental heating or cooling units). If the Demised Premises shall have utility meters measuring only the amount of the utilities consumed in the Demised Premises, commencing upon the delivery of the Demised Premises to Tenant, Tenant shall pay to the utility companies furnishing such utilities, promptly upon the receipt of bills therefor, the cost of such utilities consumed in the Demised Premises. If the Demised Premises shall not have a utility meter for a utility provided to the Demised Premises, then Tenant shall pay to Landlord upon demand from time to time, as additional rent, the cost of such utility consumed in the Demised Premises, as said cost shall be determined by check meter. Tenant shall pay to Landlord, from time to time as and when bills are rendered, the cost of all water (including sewer charges) and gas consumed by Tenant within the Demised Premises, which consumption amounts shall be measured by a separate meter or, in the case of water, a checkmeter installed by Landlord, at Landlord’s expense. If Tenant uses gas within the Demised Premises and a meter is not provided by the utility, a checkmeter will be installed by Landlord, at Landlord’s expense.

(2) Tenant’s use of electricity in the Demised Premises shall not at any time exceed the capacity of any of the electrical conductors or equipment in or otherwise serving the Demised Premises.

ARTICLE VI
TENANT’S COVENANTS

TENANT’S COVENANTS DURING THE TERM.

Tenant covenants during the Term and such other time as Tenant occupies any part of the Demised Premises:

(1) To pay when due (a) all Fixed Rent and additional rent, (b) all taxes which may be imposed on Tenant’s personal property in the Demised Premises (including, without limitation, Tenant’s fixtures and equipment) regardless to whomever assessed, and (c) all charges by any public utility for telephone and other utility services rendered to the Demised Premises;

(2) Except as otherwise provided in Article VIII and Section 4(A)(2), to keep the Demised Premises in good order, repair and condition, reasonable wear only excepted; to replace all light bulbs as necessary; maintain and replace all interior glass; keep all utilities, pipes, conduits, drains and other installations which serve only the Demised Premises, including, without limitation, the heating, ventilating and air conditioning systems which serve only the Demised Premises in good order, condition and repair; and at the expiration or termination of this Lease peaceably to yield up the Demised Premises and all changes and additions therein in such order, repair and condition, first removing all goods and effects of Tenant and those claiming under Tenant and any items the removal of which is required by any agreement between Landlord and Tenant (or specified therein to be removed at Tenant's election and which Tenant elects to remove), and repairing all damage caused by such removal and restoring the Demised Premises and leaving them clean and neat. Notwithstanding anything to the contrary contained herein, Tenant shall forthwith remove from the Demised Premises (repairing any damage caused by such removal) any installations, alterations, additions or improvements made or installed by or for Tenant or as part of Tenant's Work, so long as Landlord has indicated to Tenant in writing at the time of Landlord's approval of such installations, alterations, additions or improvements, which indication Landlord may make in its sole discretion, that such installations, alterations, additions or improvements may be required to be removed at the expiration or early termination of the Term, and which Landlord requests Tenant to remove within thirty (30) days after the expiration or termination of the term of this Lease, such removal to include returning the previously modified portions of the Demised Premises to their condition prior to the making of such installations, alterations, additions or improvements, provided however, in all events all so-called "specialty improvements" (file room systems, large cold rooms and animal facilities, etc.), low-voltage cabling/wiring, and computer/telecommunications equipment shall be removed by Tenant and damage caused by such removal shall be repaired by Tenant. Landlord agrees that typical laboratory improvements shall not automatically qualify as "specialty improvements." Tenant's obligations hereunder shall survive the expiration or termination of the term of this Lease. For purposes of this Section (2) the word "repairs" includes the making of replacements when necessary. Tenant shall, at its sole costs and expense, keep the Demised Premises clean and free of refuse, and provide all janitorial and cleaning services to the Demised Premises on a nightly basis (except weekends and holidays) of a quality consistent with other tenants in the business park in which the Demised Premises is located and shall be solely responsible for removing from the Property (and until such removal from the Property Tenant shall store within the Demised Premises) any trash, refuse or debris generated by Tenant's use of the Demised Premises, other than typical office trash or cardboard which shall be deposited in appropriate receptacles maintained by Landlord on the Property;

(3) Continuously from the Commencement Date, to use and occupy the Demised Premises only for the Permitted Use; and not to injure or deface the Demised Premises, Building, or Lot; and not to permit in the Demised Premises any auction sale, nuisance, or the emission from the Demised Premises of any objectionable noise or odor; nor any use thereof which is contrary to law or ordinances, or which invalidates or increases the premiums for any insurance on the Building (or any portion thereof) or its contents. Landlord hereby acknowledges and agrees that Tenant's use of the Demised Premises for the Permitted Use, as such use is anticipated to be conducted on the Commencement Date, shall not violate the terms of this Section (3);

(4) To comply with the rules and regulations set forth in Exhibit D and all other reasonable rules and regulations hereafter made by Landlord uniformly applied to all tenants of the Building (but only after copies thereof have been delivered to Tenant) for the care and use of the Building and Lot and their facilities and approaches, it being expressly understood, however, that Landlord shall not be liable to Tenant for the failure of other tenants of the Building to conform to such rules and regulations and provided further that in the event of any conflict between the provisions of any rules and regulations and the provisions of this Lease, the provisions of this Lease shall control;

(5) To keep the Demised Premises equipped with all safety appliances required by law or ordinance or any other regulation of any public authority and/or any insurance inspection or rating bureau having jurisdiction that may be required due to Tenant's specific use of the Demised Premises and not generally, and to procure all licenses and permits required because of any use made by Tenant, it being understood that the foregoing provisions shall not be construed to broaden in any way the Permitted Use;

(6) Not without the prior written consent, which may not be unreasonably conditioned, withheld or delayed, of Landlord to assign, hypothecate, pledge or otherwise encumber this Lease, to make any sublease or to permit occupancy of the Demised Premises or any part thereof by anyone other than Tenant, voluntarily or by operation of law, and as additional rent, to reimburse Landlord promptly upon demand for reasonable legal and other expenses incurred by Landlord in connection with any request by Tenant for consent to assignment or subletting not to exceed an aggregate of $1,500 per request. Without intending to limit Landlord's discretion in granting or withholding such consent, it is agreed that if Tenant requests Landlord's consent to assign this Lease or sublet more than twenty percent (20%) of the Demised Premises for a term of more than three (3) years (or for the remainder of the then existing Term, if less than three (3) years remain in the Term) Landlord shall have the option, exercisable by written notice to Tenant given within forty-five (45) days after receipt of such request, to terminate this Lease with respect to the portion of the Demised Premises so requested to be assigned or subleased, as of a date specified in such notice which shall be not less than thirty or more than sixty days after the date of such notice; provided, however, if Landlord exercises such right to terminate, Tenant shall have the right to rescind such request of assignment or sublease by providing Landlord with written notice within five (5) days of Tenant's receipt of such termination notice, in which event Tenant's request to sublease or assign and Landlord's termination notice shall each be deemed null and void as if never provided and this Lease shall continue in full force and effect. Landlord's termination right in the preceding sentence shall not be applicable to any Permitted Transfer (as defined below). If Landlord shall so terminate this Lease, rent shall be apportioned as of the date of termination, and Landlord may lease the Demised Premises or any portion thereof to any person or entity (including without limitation, Tenant's proposed assignee or subtenant, as the case may be) without any liability whatsoever to Tenant by reason thereof. If Landlord shall consent to any assignment of this Lease by Tenant or a subletting of the whole of the Demised Premises by Tenant at a rent which exceeds the rent payable hereunder by Tenant, or if Landlord shall consent to a subletting of a portion of the Demised Premises by Tenant at a rent in excess of the subleased portion's prorata share of the rent payable hereunder by Tenant, then Tenant shall pay to Landlord, as additional

rent forthwith upon Tenant's receipt of each installment of any such excess rent, the net amount of any such excess rent after deducting any costs incurred by Tenant in assigning or subleasing such space. Each request by Tenant for permission to assign this Lease or to sublet the whole or any part of the Demised Premises shall be accompanied by a warranty by Tenant as to the amount of rent to be paid to Tenant by the proposed assignee or sublessee. For purposes of this Section (6), the term "rent" shall mean all fixed rent, additional rent or other payments and/or consideration payable by one party to another for the use and occupancy of premises. Tenant agrees, however, that neither it nor anyone claiming under it shall enter into any sublease, license, concession or other agreement for use, occupancy or utilization of space in the Demised Premises which provides for rental or other payment for such use, occupancy or utilization based, in whole or in part, on the net income or profits derived by any person or entity from the space leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of receipts or sales), and Tenant agrees that any such purported sublease, license, concession or other agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use, occupancy, or utilization of any part of the Demised Premises. Tenant further agrees that any sublease, license, concession or agreement for use, occupancy or utilization of space in the Demised Premises entered into by it or by anyone claiming under it shall contain the provisions set forth in the immediately preceding sentence. Tenant acknowledges that Landlord may refuse any request to sublease all or any portion of the Demised Premises if the proposed sublessee is a current tenant of the Property or a party who has received a written offer from Landlord within the six (6) month period prior to such request, to lease space in the Property. If and whenever Tenant shall not be a so-called "publicly held" company, it is understood and agreed that the transfer of fifty percent (50%) or more of the stock in Tenant of any class (whether at one time or at intervals) shall constitute an "assignment" of Tenant's interest in this Lease. If there shall be any assignment or subletting by Tenant pursuant to the provisions of this paragraph, Tenant shall remain primarily liable for the performance and observance of the covenants and agreements herein contained on the part of Tenant to be performed and observed, such liability to be (in the case of any assignment) joint and several with that of such assignee. It is expressly understood and agreed that no assignment of Tenant's interest in this Lease shall be effective until such time as Tenant shall deliver to Landlord an agreement from the assignee, which agreement shall be reasonably satisfactory to Landlord in form and substance and shall provide that the assignee agrees with Landlord to be primarily liable for the performance and observance of the covenants and agreements herein contained on the part of Tenant to be performed and observed, such liability to be joint and several with that of Tenant. Notwithstanding the foregoing, Landlord's prior written consent shall not be required in the event of an assignment or a sublease of all or any portion of the Demised Premises (a) in connection with the sale of all or substantially all of the assets or equity (whether stock, membership interests, partnership interests, or otherwise) of Tenant, (b) to an affiliate, subsidiary, or parent of Tenant, or a corporation, partnership or other legal entity wholly owned by Tenant, or (c) an entity succeeding to the business of Tenant, either as a result of merger, consolidation or otherwise, so long as, such transferee has a tangible net worth equal to or greater than the greater of (i) the tangible net worth of Tenant as of the date of this Lease, or (ii) the tangible net worth of Tenant as of the date immediately prior to such assignment or sublease (each of (a), (b) and (c), a "Permitted Transfer");

(7) To defend Landlord, with counsel acceptable to Landlord, save Landlord harmless from, and indemnify Landlord against any liability for injury, loss, accident or damage to any person or property and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without implied limitation, reasonable counsel's fees): (i) arising from the omission, fault, willful act, negligence or other misconduct of Tenant or anyone claiming under Tenant, or from any use made or thing done or occurring upon the Demised Premises but not due to the omission, fault, willful act, negligence or other misconduct of Landlord or any of its agents, employees or contractors, or (ii) resulting from the failure of Tenant to perform and discharge its covenants and obligations under this Lease;

(8) To maintain Commercial General Liability insurance covering all operations by or on behalf of Tenant for bodily injury or death and property damage, using an ISO CG 00 01 form or its equivalent including but not limited to Broad Form Property Damage, Bodily Injury, Premises and Operations, Personal and Advertising Injury, Independent Contractors Liability and Contractual coverage for this Lease. This coverage shall provide a minimum $1,000,000 combined single limit for bodily injury and property damage per occurrence; $1,000,000 personal and advertising injury; $300,000 damages to Premises rented to or temporarily occupied by you; $1,000,000 products/completed operations aggregate; with a general aggregate limit of $2,000,000 applying on a per location basis and a deductible of not more than $50,000 unless approved by Landlord; Workers' Compensation as required under applicable law and Employers' Liability Insurance with a minimum limit of $1,000,000 each accident, bodily injury by accident, $1,000,000 each employee, bodily injury by disease, $1,000,000 policy limit, bodily injury by disease, or lower limits if such lower limits satisfy the Umbrella/Excess Liability underlying limit requirements covering all employees of Tenant; Automobile Liability Insurance with a minimum limit of $1,000,000 combined bodily injury and property damage per accident, to include coverage for all owned, non-owned, and hired vehicles; Umbrella/Excess Liability coverage in an amount of not less than $5,000,000 per occurrence and $5,000,000 annual aggregate. that applies on a follow form basis in excess of the Commercial General Liability, Employers' Liability, and Automobile Liability coverages required by this Lease; Pollution Liability Insurance with limits not less than $3,000,000 per occurrence and $3,000,000 in the aggregate covering loss arising out of third party bodily injury and property damage claims, cleanup costs, and coverage appropriate to the types of substances and materials used by Tenant in the Demised Premises. All such amounts, from time to time during the Term, may increase to amounts as are customarily carried in the area in which the Demised Premises are located (outside of the Lot) upon property similar in type and use to the Demised Premises. Such insurance shall name Landlord, Landlord's Managing Agent, and Landlord's Mortgagee as additional insureds. Such insurance shall be primary and noncontributory as to any other insurance available to the additional insureds. Tenant shall deliver to Landlord certificates of insurance for such insurance, prior to the Commencement Date, and each renewal policy or certificate thereof, at least fifteen (15) days prior to the expiration of the policy it renews. Each such policy shall be written by an insurer authorized to do business in the Commonwealth of Massachusetts having a minimum A.M. Best rating of A-, VII or better and shall provide that the same shall not be modified or terminated without at least thirty (30) days' prior written notice to each named insured and Landlord;

(9) To keep all employees working in the Demised Premises covered by workmen's compensation insurance in amounts required by law, and to furnish Landlord with certificates thereof;

(10) To permit Landlord and its agents entry, upon prior written notice of at least twenty four (24) hours (except cases of emergency): to examine the Demised Premises at reasonable times and, if required, to make necessary repairs; and to show the Demised Premises to prospective tenants during the twelve months preceding the expiration of the Term and to prospective purchasers and mortgagees at all reasonable times; provided, however, in all instances, Landlord shall use all commercially reasonable efforts to minimize any interference with Tenant's use and access of the Demised Premises and shall be liable for any damage caused by the negligence or willful misconduct of Landlord or its agents during such entry;

(11) Not to place a load upon any part of the floor of the Demised Premises exceeding that for which said floor was designed or in violation of what is allowed by law; and not to move any safe, vault or other heavy equipment in, about or out of the Demised Premises except in such manner and at such times as Landlord shall approve in writing in each instance. Tenant's business machines and mechanical equipment which cause vibration or noise that may be transmitted to the Building structure or to any other space in the Building shall be placed and maintained by Tenant in settings of cork, rubber, spring, or other types of vibration eliminators sufficient to confine such vibration or noise to the Demised Premises;

(12) All the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant and of all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Demised Premises by Tenant or anyone claiming under Tenant, may be on the Demised Premises or elsewhere in the Building or on the Lot shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft, or from any other cause, no part of said loss or damage is to be charged to or to be borne by Landlord, except if due to the negligence or willful misconduct of Landlord or any of its employees, agents or contractors;

(13) To pay promptly when due the entire cost of any work done on the Demised Premises by Tenant and those claiming under Tenant; not to cause or permit any liens for labor or materials performed or furnished in connection therewith to attach to the Demised Premises; and to promptly discharge any such liens which may so attach;

(14) Not to make any alterations, improvements, changes or additions to the Demised Premises without Landlord's prior written consent. Notwithstanding anything in this Lease to the contrary, alterations which (i) consist solely of decorative or cosmetic work that does not adversely affect or involve the structural elements or Building systems, (ii) do not cost in excess of Two Hundred Thousand Dollars ($200,000.00) in the aggregate, (iii) do not require a building permit to complete, and (iv) are not visible from the exterior of the Demised Premises, shall not require Landlord's prior approval, however, prior to performing such alterations, improvements, changes or additions, Tenant shall provide no less than ten (10) days prior notice. At the time Landlord consents to any alterations made by Tenant under this paragraph, it shall notify Tenant

in writing whether Tenant is required to remove those alterations at the expiration or earlier termination of this Lease (if Landlord fail to so notify Tenant at the time of such approval, Landlord shall be deemed to have waived the right to require such removal), and to the extent Tenant performs any alteration which do not required Landlord's consent, Landlord shall retain the right to require Tenant to remove such alterations at the end of the Term unless Landlord has provided Tenant with written notice that such removal is not required;

(15) To pay to Landlord (i) for the first thirty (30) days of such holdover, one hundred fifty percent (150%) of the total of the Fixed Rent and additional rent then applicable for each month or portion thereof that Tenant shall retain possession of the Demised Premises or any part thereof after the termination of this Lease, and (ii) after such first thirty (30) days of such holdover, (a) two hundred percent (200%) of the total of the Fixed Rent and additional rent then applicable for each month or portion thereof that Tenant shall retain possession of the demised premises or any part thereof after the termination of this Lease, whether by lapse of time or otherwise, and (b) also to pay all damages sustained by Landlord on account thereof; however, the provisions of this subsection shall not operate as a waiver by Landlord of any right of re-entry provided in this Lease or as a matter of law;

(16) To insure the improvements of Tenant and those claiming under Tenant, under policies covering at least fire and the standard extended coverage risks, in amounts equal to the replacement cost thereof, the terms of which policies shall provide that such insurance shall not be canceled without at least thirty (30) days' prior written notice to Landlord. Copies of such insurance policy or policies, or certificates thereof, shall be delivered to Landlord at least fifteen (15) days prior to the Commencement Date and each renewal policy or certificate thereof, at least fifteen (15) days prior to the expiration of the policy it renews;

(17) To pay Landlord's out of pocket expenses, including reasonable attorney's fees, incurred in enforcing any obligation of Tenant in this Lease; and

(18) Not to enter into any sublease or other occupancy agreement with any other tenant or occupant of the Building or Property wherein Tenant would occupy or use space in the Building or Property which is not included within the Demised Premises without obtaining the prior written consent, which may be granted or withheld in Landlord's sole and absolute discretion.

ARTICLE VII
DEFAULT

(A) EVENTS OF DEFAULT (EACH, AN "EVENT OF DEFAULT")

(1) If Tenant shall default in the payment of Fixed Rent, additional rent or other payments required of Tenant, and if Tenant shall fail to cure said default within seven (7) days after receipt of written notice of said default from Landlord, or (2) if Tenant shall default in the performance or observance of any other agreement or condition on its part to be performed or observed and if Tenant shall fail to cure said default within thirty days after receipt of written notice of said default from Landlord (but if longer than thirty days shall be reasonably required

to cure said default, then if Tenant shall fail to commence the curing of such default within fifteen days after receipt of said written notice and diligently prosecute the curing thereof to completion), or (3) if any person shall levy upon, or take this leasehold interest or any part thereof upon execution, attachment or other process of law, or (4) if Tenant shall make an assignment of its property for the benefit of creditors, or (5) if Tenant shall be declared bankrupt or insolvent according to law, or (6) if any bankruptcy or insolvency proceedings shall be commenced by or against Tenant, or (7) if a receiver, trustee or assignee shall be appointed for the whole or any part of Tenant's property, then in any of said cases, Landlord lawfully may immediately, or at any time thereafter, without any further notice or demand (unless required by law), enter into and upon the Demised Premises or any part thereof in the name of the whole, and hold the Demised Premises as if this Lease had not been made, and expel Tenant and those claiming under it and remove its or their property without being taken or deemed to be guilty of any manner of trespass (or Landlord may send written notice to Tenant of the termination of this Lease), and upon entry as aforesaid (or in the event that Landlord shall send Tenant notice of termination as above provided, on the fifth day next following the date of the sending of the notice), the term of this Lease shall terminate. Notwithstanding the provisions of clause (1) of the immediately preceding sentence, if Landlord shall have rightfully given Tenant notice of default pursuant to said clause twice during any twelve (12)-month period, and if Tenant shall thereafter default in the payment of Fixed Rent or Tenant's Share of Operating Expenses or Tenant's Share of Taxes for a third time during such twelve (12)-month period, then Landlord may exercise the right of termination provided for it in said immediately preceding sentence without first giving Tenant notice of such default and the opportunity to cure the same within the time provided in said clause (1). Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event Landlord terminates this Lease as provided in this Article.

(B) OBLIGATIONS THEREAFTER

In case of any such termination, the Tenant shall, notwithstanding any such termination of this Lease as aforesaid or any entry or re-entry by Landlord, whether by summary process or termination, pay and be liable for, on the days originally fixed herein for the payment thereof, amounts equal to the several installments of rent and other charges reserved as they would, under the terms of this Lease, become due if this Lease had not been terminated or if the Landlord had not entered or re-entered, as aforesaid, less the proceeds from any reletting of the Demised Premises. In addition, Tenant shall be liable for any direct damages suffered or incurred by Landlord as a result of such termination and the cost to relet the Demised Premises, which costs shall be limited to repairing and restoring the Demised Premises to a leasable white box condition, prevailing brokerage fees and reasonable attorney's fees. Tenant hereby waives to the extent permitted by applicable law or elsewhere set forth herein to any obligation the Landlord may have to mitigate Landlord's damages; provided, however, Landlord shall, after such termination of this Lease or re-entry as a result of an event of default, use commercially reasonable efforts to relet the Demised Premises. It is understood and agreed that at the time of the termination or at any time thereafter Landlord may rent the Demised Premises, and for a term which may expire before or after the expiration of the Term, without releasing Tenant from any liability whatsoever, that Tenant shall be liable for any out-of-pocket expenses incurred by Landlord in connection with obtaining possession of the Demised Premises, with removing from

the Demised Premises property of Tenant and persons claiming under it (including warehouse charges), with putting the Demised Premises into good condition for reletting, and with any reletting, including, but without limitation, reasonable attorneys' fees and brokers fees, and that any monies collected from any reletting shall be applied first to the foregoing expenses and then to the payment of Fixed Rent, additional rent and all other payments due from Tenant to Landlord.

ARTICLE VIII
CASUALTY AND TAKING

(A) CASUALTY AND TAKING

In case during the Term more than fifty percent (50%) of the rentable area of the Demised Premises or the Building are damaged by fire or any other casualty or by action of public or other authority or are taken by eminent domain, this Lease shall terminate at Landlord's election, which may be made notwithstanding Landlord's entire interest may have been divested, by notice given to Tenant within thirty (30) days after the occurrence of the event giving rise to the election to terminate, provided however, if such termination is due to damage to or taking of a portion of the Building and less than fifty percent (50%) of the Demised Premises are damaged or taken, Landlord shall not have the right to terminate the Lease in connection with such casualty or taking unless Landlord terminates all other tenancies in the Building. Said notice shall, in the case of damage as aforesaid, be effective as of the date of such casualty event. In the case of any such taking by eminent domain, the effective date of the termination shall be the day on which the taking authority shall take title to or possession of the taken property. Fixed Rent and additional rent shall be apportioned and adjusted as of the effective date of any such termination. If in any such case the Demised Premises or the Building are damaged by a casualty or eminent domain taking and this Lease is not so terminated as aforesaid, Landlord, at its sole cost and expense, and proceeding with due diligence and all reasonable dispatch, shall restore the Demised Premises and the Building to the condition they were in prior to such casualty or taking (excluding any items which Tenant may be required or permitted to remove from the Demised Premises at the expiration of the Term), but Landlord shall not be required to spend more than the net proceeds of insurance or award of damages recoverable therefor, and a just proportion of the Fixed Rent and additional rent according to the nature and extent of the injury to the Demised Premises shall be abated until the Demised Premises or such remainder shall have been put by Landlord in such condition; and in case of a taking which permanently reduces the area of the Demised Premises, a just proportion of the Fixed Rent shall be abated for the remainder of the Term and Tenant's Share of Operating Expenses and Tenant's Share of Taxes shall be proportionately adjusted. Landlord shall notify Tenant within thirty (30) days following the occurrence of any casualty or taking of the estimated time to restore the Demised Premises, or the Building. If Landlord commences its repair of the Demised Premises or the Building and has not substantially completed the same within one (1) year after the occurrence of such casualty or taking, then Tenant shall have the right, upon thirty (30) days prior written notice to Landlord given at any time after such one (1) year period but prior to the date Landlord has completed such restoration, to terminate this Lease. If (a) such estimated time is more than

one (1) year from the occurrence of such casualty or taking, or (b) if such casualty or taking occurs during the last two (2) years of the Term and the estimated time to restore such damage exceeds ninety (90) days, then Tenant shall have the right, upon thirty (30) days prior written notice to Landlord to terminate this Lease. Notwithstanding the foregoing, in the event Landlord receives a notice of termination from Tenant as a result of a casualty or taking pursuant to this Section (A), in the event Landlord substantially completes any applicable restoration within such thirty (30) day notice period described above, Tenant's exercise of its right to terminate this Lease shall be deemed to be rescinded and the Lease shall remain in full force and effect.

(B) RESERVATION OF AWARD

Landlord reserves to itself any and all rights to receive awards made for damage to the Demised Premises, Building or Lot and the leasehold hereby created, or any one or more of them, accruing by reason of any exercise of the right of eminent domain or by reason of anything done in pursuance of public or other authority. Tenant hereby releases and assigns to Landlord all of Tenant's rights to such awards, and covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request. It is agreed and understood, however, that Landlord does not reserve to itself, and Tenant does not assign to Landlord, any damages payable for (i) movable equipment installed by Tenant or anybody claiming under Tenant at its own expense, as well as all of Tenant's personal property and fixtures or (ii) relocation expenses, but in each case only if and to the extent that such damages are recoverable by Tenant from such authority in a separate action and without reducing Landlord's award of damages.

ARTICLE IX
MORTGAGEE

(A) SUBORDINATION TO MORTGAGES

It is agreed that the rights and interest of Tenant under this Lease shall be: (i) subject and subordinate to the lien of any present or future first mortgage and to any and all advances to be made thereunder, and to the interest thereon, upon the Demised Premises or any property of which the Demised Premises are a part, if the holder of such mortgage shall elect, by notice to Tenant, to subject and subordinate the rights and interest of Tenant under this Lease to the lien of its mortgage and a commercially reasonable subordination, non-disturbance and attornment agreement in recordable form (a "SNDA") is duly executed by the Landlord and the holder of such mortgage and delivered to Tenant; or (ii) prior to the lien of any present or future first mortgage, if the holder of such mortgage shall elect, by notice to Tenant, to give the rights and interest of Tenant under this Lease priority to the lien of its mortgage. It is understood and agreed that the holder of such mortgage may also elect, by notice to Tenant, to make some provisions hereof subject and subordinate to the lien of its mortgage while granting other provisions hereof priority to the lien of its mortgage. In the event of any of such elections, and upon notification by the holder of such mortgage to that effect and the execution and delivery of an SNDA, the rights and interest of Tenant under this Lease shall be deemed to be subordinate to, or to have priority over, as the case may be, the lien of said mortgage, irrespective of the time

of execution or time of recording of any such mortgage. Tenant agrees that it will, upon request of Landlord, execute, acknowledge and deliver any and all instruments deemed by Landlord necessary or desirable to evidence or to give notice of such subordination or priority. The word "mortgage" as used herein includes mortgages, deeds of trust, ground or master leases, and any other security instrument encumbering any or all of the Property or other similar instruments and modifications, consolidations, extensions, renewals, replacements and substitutes thereof. Landlord hereby represents and warrants to Tenant that, as of the date of this Lease there are no mortgages (as defined in the preceding sentence) encumbering any portion of the Property. Tenant agrees that it shall not subordinate its interest in this Lease to the lien of any junior mortgage, security agreement or lease affecting the Demised Premises, unless the holder of the first mortgage upon the Demised Premises or property which includes the Demised Premises shall consent thereto.

Simultaneously with the execution of this Lease, Landlord and Tenant shall execute a memorandum of lease, in recordable form reasonably acceptable to Landlord and Tenant and otherwise in compliance with the laws of the jurisdiction in which the Property is situated (a "MOL"). Tenant may record the MOL, and pay the recording fees associated therewith. If this Lease is terminated before the Term expires, then upon Landlord's request the parties shall execute, deliver and record an instrument acknowledging such fact and the date of termination of this Lease, and Tenant hereby appoints Landlord its attorney-in-fact in its name and behalf solely for the purpose of executing such instrument if Tenant shall fail to execute and deliver such instrument after Landlord's request therefor within ten (10) business days.

(B) LIMITATION ON MORTGAGEE'S LIABILITY

Upon entry and taking possession of the mortgaged premises for any purpose, the holder of a mortgage shall have all rights of Landlord, and during the period of such possession Landlord, not such mortgage holder, shall have the duty to perform all of Landlord's obligations hereunder. No such holder shall be liable, either as a mortgagee or as holder of a collateral assignment of this Lease, to perform, or be liable in damages for failure to perform, any of the obligations of Landlord unless and until such holder shall succeed to Landlord's interest herein through foreclosure of its mortgage or the taking of a deed in lieu of foreclosure.

(C) NO RELEASE OR TERMINATION

No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of any of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would be the basis of Tenant's rights and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a reasonable time thereafter, but nothing contained in this Section (C) shall be deemed to impose any obligation on any such mortgagee to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of

the mortgaged premises, if the mortgagee elects to do so, and a reasonable time to correct or cure the condition.

ARTICLE X
GENERAL PROVISIONS

(A) CAPTIONS

The captions of the Articles are for convenience and are not to be considered in construing this Lease.

(B) SHORT FORM LEASE

Upon request of either party both parties shall execute and deliver a short form of this Lease in form appropriate for recording, and if this Lease is terminated before the Term expires, an instrument in such form acknowledging the date of termination. No such short form lease shall contain any indication of the amount of the rentals payable hereunder by Tenant.

(C) INTENTIONALLY OMITTED

(D) NOTICES

All notices and other communications authorized or required hereunder shall be in writing and shall be given by mailing the same by certified or registered mail, return receipt requested, postage prepaid, by mailing the same by Express Mail or by having the same delivered by a commercial delivery service such as Federal Express, UPS, Purolator Courier and the like. If given to Tenant the same shall be directed to Tenant at Tenant's Address or to such other person or at such other address as Tenant may hereafter designate by notice to Landlord; and if given to Landlord the same shall be directed to Landlord at Landlord's Address, or to such other person or at such other address as Landlord may hereafter designate by notice to Tenant. In the event the notice directed as above provided shall not be received upon attempted delivery thereof to the proper address and shall be returned by the Postal Service or delivery service to the sender because of a refusal of receipt, the time of the giving of such notice shall be the first business day on which delivery was so attempted.

After receiving notice from Landlord or from any person, firm or other entity that such person, firm or other entity holds a mortgage which includes the Demised Premises as part of the mortgaged premises, no notice from Tenant to Landlord shall be effective unless and until a copy of the same is given by certified or registered mail to such holder, and the curing of any of Landlord's defaults by such holder shall be treated as performance by Landlord, it being understood and agreed that such holder shall be afforded a reasonable period of time after the receipt of such notice in which to effect such cure.

(E) SUCCESSORS AND ASSIGNS

The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns, except that the Landlord named herein and each successive owner of Landlord's interest in this Lease shall be liable only for the obligations of Landlord accruing during the period of its ownership. Whenever Landlord's interest in this Lease is owned by a trustee or trustees, the obligations of Landlord shall be binding upon Landlord's trust estate, but not upon any trustee, beneficiary or shareholder of the trust individually. Without limiting the generality of the foregoing, and whether or not Landlord's interest in this Lease is owned by a trustee or trustees, Tenant specifically agrees to look solely to Landlord's interest in and proceeds generated from the Building and Lot for recovery of any judgment from Landlord, it being specifically agreed that neither Landlord, any trustee, beneficiary or shareholder of any trust estate for which Landlord acts nor any person or entity claiming by, through or under Landlord shall ever otherwise be personally liable for any such judgment.

In no event shall Tenant's agents or employees (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, stockholders or other principals or representatives, and the like, disclosed or undisclosed, thereof) ever be personally liable for any liability of Tenant under this Lease. In no event shall Tenant or Tenant's agents or employees (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, stockholders or other principals or representatives and the like, disclosed or undisclosed, thereof) ever be liable for special, punitive, or, except as expressly provided in Article VI(15) for Tenant holdover in the Demised Premises, consequential or incidental damages.

(F) NO SURRENDER

The delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not operate as a termination of this Lease or a surrender of the Demised Premises.

(G) WAIVERS AND REMEDIES

The failure of Landlord or of Tenant to seek redress for violation of, or to insist upon the strict performance of any covenant or condition of this Lease, or, with respect to such failure of Landlord, any of the rules and regulations referred to in Section 6(4), whether heretofore or hereafter adopted by Landlord, shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation, nor shall the failure of Landlord to enforce any of said rules and regulations against any other tenant in the Building be deemed a waiver of any such rules or regulations as far as Tenant is concerned. The receipt by Landlord of Fixed Rent or additional rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach by Landlord unless such waiver be in writing signed by Landlord. No consent or waiver express or implied, by Landlord or Tenant to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty. No acceptance by Landlord of a lesser sum than the Fixed Rent and

additional rent then due shall be deemed to be other than on account of the earliest installment of such rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed as accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy available to it. The specific remedies to which Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which it may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to the other remedies provided in this Lease, Landlord and Tenant shall each be entitled to the restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or to a decree compelling specific performance of any such covenants, conditions or provisions. If any term of this Lease, or the application thereof to any person or circumstances shall be held, to any extent, to be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law. If any interest to be paid by Tenant hereunder shall exceed the highest lawful rate which Landlord may recover from Tenant, such interest shall be reduced to such highest lawful rate of interest.

(H) SELF-HELP

If Tenant shall at any time default in the performance of any obligation under this Lease beyond any applicable notice and cure period, Landlord shall have the right, but shall not be obligated, to enter upon the Demised Premises and to perform such obligation, notwithstanding the fact that no specific provision for such performance by Landlord is made in this Lease with respect to such default. In performing such obligation, Landlord may make any payment of money or perform any other act. All out of pocket sums so paid by Landlord (together with interest, from the time paid by Landlord until the time Tenant repays the same to Landlord, at the rate of interest per annum as set forth in Section (A) of Article V above, shall be deemed to be additional rent and shall be payable to Landlord immediately on demand. Landlord may exercise the foregoing right without waiving any other of its rights or releasing Tenant from any of its obligations under this Lease.

(I) ESTOPPEL CERTIFICATE

Tenant agrees from time to time after the Commencement Date, upon not less than ten (10) days' prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect; that Landlord has completed Landlord's Work; that Tenant has no defenses, offsets or counterclaims against its obligations to pay the Fixed Rent and additional rent and to perform its other covenants under this Lease; that there are no uncured defaults of Landlord or Tenant under this Lease (or, if there have been any modifications, that this Lease is in full force and effect as modified and stating the modifications, and, if Landlord's Work has not been completed, to what extent it has not been completed, and if there are any defenses, offsets, counterclaims, or defaults, setting them forth in reasonable detail); and the dates to which the Fixed Rent, additional rent and other charges have been paid. Any such statement delivered pursuant to this

Section (I) may be relied upon by any prospective purchaser or mortgagee of premises which include the Demised Premises or any prospective assignee of any such mortgagee.

(J) WAIVER OF SUBROGATION

(1) Tenant hereby releases Landlord to the extent of Tenant's insurance coverage, from any and all liability for any loss or damage caused by fire or any of the extended coverage casualties or any other casualty insured against, even if such fire or other casualty shall be brought about by the fault or negligence of Landlord or its agents. Tenant agrees that such insurance coverage maintained by Tenant under this Lease shall be endorsed to show that the insurer waives all rights of subrogation against the Landlord and their respective officers and employees for injuries arising from the Demised Premises or operations of Tenant.

(2) Landlord hereby releases Tenant, to the extent of the Landlord's insurance coverage, from any and all liability for any loss or damage caused by fire or any of the extended coverage casualties or any other casualty insured against, even if such fire or other casualty shall be brought about by the fault or negligence of Tenant or its agents. Landlord agrees that such insurance coverage maintained by Landlord under this Lease shall be endorsed to show that the insurer waives all rights of subrogation against the Tenant and their respective officers and employees for injuries arising from the Building or operations of Landlord.

(K) BROKERS

Tenant and Landlord each hereby represents and warrants to the other that it has dealt with no broker in connection with this Lease other than Newmark Knight Frank, as broker for Landlord and Tenant (the "Listed Broker/s"), and there are no other brokerage commissions or other finders' fees payable in connection herewith. Tenant hereby agrees to hold Landlord harmless from, and indemnified against, all loss or damage (including without limitation, the cost of defending the same) arising from any claim by any broker other than the "Listed Broker/s, claiming to have dealt with Tenant. Landlord hereby agrees to hold Tenant harmless from, and indemnified against, all loss or damage (including without limitation, the cost of defending the same) arising from any claim by any broker other than the "Listed Broker/s, claiming to have dealt with Landlord. Landlord agrees to pay the Listed Brokers' commission in connection with this Lease, subject to the terms of a separate agreement between Landlord and the Listed Brokers.

(L) LANDLORD'S DEFAULTS

Landlord shall not be deemed to have committed a breach of any obligation to make repairs or alterations or perform any other act unless it shall have received notice from Tenant designating the particular repairs or alterations needed or the other act of which there has been failure of performance and shall have failed to make such repairs or alterations or performed such other act within a reasonable time after the receipt of such notice. In no event shall Landlord be liable to Tenant for consequential, special or punitive damages by reason of a failure to perform (or a default) by Landlord under this Lease.

(M) EFFECTIVENESS OF LEASE

The submission of this Lease for examination does not constitute a reservation of, or option for, the Demised Premises, and this Lease becomes effective as a lease only upon execution and unconditional delivery thereof by both Landlord and Tenant.

(N) HAZARDOUS MATERIALS

Tenant shall not (either with or without negligence) cause or permit the escape, the disposal or release of any Hazardous Materials on or under the Building, the Lot or the Demised Premises. Tenant shall not allow the storage or use of Hazardous Materials in any manner not sanctioned by the applicable permits or by law. Tenant shall not cause any Hazardous Materials to be brought into the Building, Lot or Demised Premises except such substances or materials used in the ordinary course of Tenant's business and listed on Exhibit F attached hereto (which Hazardous Materials shall be used, stored and disposed of in accordance with a program to be mutually agreed upon by Landlord and Tenant) or as otherwise approved by Landlord in writing, which approval shall not be unreasonably withheld, provided such use complies with the permitted allocated quantities of specified classes of chemicals permitted in the Building. Any Hazardous Materials used by Tenant shall at all times be brought to, kept at or used in so-called 'control areas' (the number and size of which shall be identified in the plans for Tenant's Work which are subject to Landlord's approval pursuant to this Lease) and in accordance with all applicable laws and ordinances, any permit or approval issued by any applicable governmental agency or authority and prudent environmental practice and (with respect to medical waste and so-called "biohazard" materials) good scientific and medical practice. In the event Tenant intends on using any biologically or chemically active or other Hazardous Materials, or materials that require a specialized permit, Tenant shall first obtain Landlord's prior consent, which shall not be unreasonably withheld, conditioned or delayed. Within five (5) business days of Landlord's request, Tenant shall provide Landlord with a list of all biologically or chemically active or other Hazardous Materials, including quantities, used by Tenant in the Demised Premises or otherwise in the Building. Tenant shall obtain and maintain all proper permits required by applicable law or ordinance for the storage and use of any Hazardous Materials stored or used by Tenant, and Tenant shall furnish evidence of same upon request and shall comply with all governmental reporting requirements with respect to such Hazardous Materials used by Tenant in its business operations, and shall deliver to Landlord copies of such reports. "Hazardous Material" means (a) any hazardous, flammable, explosive or toxic materials, radioactive materials, asbestos in any form that is or could become friable, or polychlorinated biphenyls (PCBs); or (b) any chemical, material or substance defined, classified or regulated as toxic or hazardous or as a pollutant, contaminant or waste under any applicable environmental laws, including without limitation, those hazardous substances and materials described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., any applicable state or local laws and the regulations adopted under these acts. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of Hazardous Materials on or under the Demised Premises, then the reasonable costs thereof shall be paid by Landlord, unless such release was caused solely by Tenant or persons acting under Tenant, whereupon the reasonable costs of such testing shall be

reimbursed by Tenant to Landlord as additional rent promptly upon demand by Landlord. In the event Tenant (or persons acting under Tenant) is the cause of such release of Hazardous Materials with other parties, Tenant shall be responsible for a portion of the cost of such testing in proportion to its responsibility for such release in relation to the responsibility of such other parties. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials on the Demised Premises. Tenant shall indemnify Landlord in the manner elsewhere provided in this lease from any release of Hazardous Materials caused by Tenant on the Demised Premises, or elsewhere on the Lot if caused by Tenant or persons acting under Tenant. Landlord shall indemnify Tenant in the manner elsewhere provided in this lease from any release of Hazardous Materials caused by Landlord on the Demised Premises, or elsewhere on the Lot if caused by Landlord or persons acting under Landlord. To the extent that any Hazardous Materials exist in or on the Demised Premises in violation of any applicable law at the time of delivery of the Demised Premises to Tenant (so long as same is not caused by Tenant, its contractors or agents), Landlord shall, at its sole cost and expense, remediate, abate, or encapsulate (as permitted by applicable law) as required by such applicable law. In the event such remediation, abatement or encapsulation prevents or materially impairs Tenant's performance of the Tenant's Work, the period of time between the Commencement Date and the Rent Commencement Date shall be extended one (1) day for each day that occurs between the day such prevention or material impairment first occurs and the day Tenant is able to resume the Tenant's Work. The within covenants shall survive the expiration or earlier termination of the term of this Lease.

The following paragraph of this Lease shall be applicable only if the Tenant uses Hazardous Materials of the type that would warrant such compliance due to applicable law:

Prior to the expiration of this Lease (or within thirty (30) days after any earlier termination), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing in and/or exclusively serving the Demised Premises, and all exhaust or other ductwork in and/or exclusively serving the Demised Premises, in each case which has carried or released or been exposed to any Hazardous Materials, and shall otherwise clean the Demised Premises so as to permit the report hereinafter called for by this Section (N) to be issued. Prior to the expiration of this Lease (or within thirty (30) days after any earlier termination), Tenant, at Tenant's expense, shall obtain for Landlord a report addressed to Landlord and Landlord's designees (and, at Tenant's election, Tenant) by a reputable licensed environmental engineer that is designated by Tenant and acceptable to Landlord in Landlord's reasonable discretion, which report shall be based on the environmental engineer's inspection of the Demised Premises and shall show: that the Hazardous Materials, to the extent, if any, existing prior to such decommissioning and introduced during the Lease Term, have been removed as necessary so that the interior surfaces of the Demised Premises (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing, and all such exhaust or other ductwork in and/or exclusively serving the Demised Premises, may be reused by a subsequent tenant or disposed of in compliance with applicable environmental laws without taking any special precautions for hazardous substances and materials, without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of hazardous substances and materials and without incurring regulatory compliance requirements or giving notice in connection with hazardous substances and materials; and that the Demised Premises may be reoccupied for office or laboratory use, demolished or renovated without taking any special precautions for hazardous substances and materials, without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of hazardous substances and materials

and without incurring regulatory requirements or giving notice in connection with hazardous substances and materials. Further, for purposes of this Section: “special costs” or “special procedures” shall mean costs or procedures, as the case may be, that would not be incurred but for the nature of the Hazardous Materials as Hazardous Materials instead of non-hazardous materials. The report shall include reasonable detail concerning the clean-up location, the test run and the analytical results. If Tenant fails to perform its obligations under this Section, without limiting any other right or remedy, Landlord may, on five (5) business days’ prior written notice to Tenant perform such obligations at Tenant’s expense, and Tenant shall promptly reimburse Landlord upon demand for all costs and expenses reasonably incurred. Tenant’s obligations under this Section shall survive the expiration or earlier termination of this Lease.

(O) DELAYS

In any case where either party hereto is required to do any act (other than make a payment of money), delays caused by or resulting from Act of God, war, civil commotion, fire or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, declared state of emergency or public health emergency, pandemic (specifically including COVID-19), government mandated quarantine or travel ban, or other causes beyond such party’s reasonable control (other than such party’s financial condition) shall not be counted in determining the time during which such act shall be completed, whether such time be designated by a fixed date, a fixed time or “a reasonable time”. In any case where work is to be paid for out of insurance proceeds or condemnation awards, due allowance shall be made, both to the party required to perform such work and to the party required to make such payment, for delays in the collection of such proceeds and awards. Notwithstanding any term or condition of this Lease to the contrary, the provisions of this Section O shall never be construed as allowing an extension of time with respect to Tenant's obligation to pay Fixed Rent or additional rent when and as due under this Lease or giving Tenant a basis to claim that this Lease or Tenant’s obligations thereunder, including without limitation, Tenant’s obligation to pay Fixed Rent and additional rent, are unenforceable or a claim based on frustration of purpose.

ARTICLE XI
SECURITY DEPOSIT

Together with Tenant’s execution of this Lease, Tenant shall deliver to Landlord a clean, irrevocable letter of credit (“Letter of Credit”) issued by a commercial bank reasonably acceptable to Landlord with offices for banking purposes in Boston, Massachusetts (the “Issuing Bank”), which Letter of Credit shall (i) name Landlord as beneficiary thereof, (ii) have a term of not less than one (1) year, (iii) be in the amount of $1,832,685.75 and (iv) otherwise be in form and content satisfactory to Landlord in its sole discretion. The Letter of Credit shall provide that:

(a) Landlord may draw (on one or more occasions) an amount up to the face amount of the Letter of Credit upon presentation of only a demand for payment in the amount to be drawn, together with a certification of Landlord that it is entitled to draw on the Letter of Credit pursuant to the provisions of this Lease; (b) the Letter of Credit shall be deemed to be automatically renewed, without amendment, for consecutive periods of one year each, and shall have a final expiration date of not earlier than thirty (30) days after the expiration date of this Lease, unless the Issuing Bank sends written notice (hereinafter called the "Non-Renewal Notice") to Landlord, by Federal Express or similar courier acceptable to Landlord, or by certified or registered mail, return receipt requested, not less than thirty (30) days next preceding the then expiration date of the Letter of Credit, that it elects not to have such Letter of Credit renewed; and (c) Landlord, after receipt of the Non-Renewal Notice, within thirty (30) days prior to the expiration date of any Letter of Credit then held by Landlord, shall have the right, exercisable by a demand for payment draft only, to draw upon the Letter of Credit and receive the proceeds thereof.

In the event of any default by Tenant beyond any applicable notice and cure period in the performance or observance of any of the terms and agreements in this Lease contained on the part of Tenant to be performed or observed, or Tenant files a voluntary petition under any Federal or state bankruptcy or insolvency code, law or proceeding, Landlord may draw upon, use, apply or retain the whole or any part of the Letter of Credit to the extent required for the payment of any rent or for any sum which Landlord may expend or may be required to expend by reason of the foregoing, including, without limitation, any damages or deficiency in the re-letting of the Demised Premises, whether accruing before or after summary proceedings or other re-entry by Landlord. In the case of every such draw down, use, application or retention, Tenant shall, on demand, increase the available balance of the Letter of Credit by the amount so drawn, used, applied or retained to its former amount, and Tenant's failure to do so shall be a default of this Lease. The application of the Letter of Credit hereunder shall not be deemed a limitation on Landlord's damages or a payment of liquidated damages or a payment of the monthly rent due for the last month of the term of this Lease.

In the event of a transfer of the Demised Premises or Landlord's interest therein, Landlord shall have the right, without cost or expense to Landlord, to transfer the Letter of Credit to the transferee, and provided that Tenant shall be notified of the name and address of the successor to Landlord and the Letter of Credit is actually transferred to such transferee, shall thereupon be released by Tenant from all liability for the return of such Letter of Credit, and such successor to Landlord shall be liable for return of the same. It is agreed that the provisions hereof shall apply to every transfer or assignment made of the Letter of Credit to a new landlord. Tenant shall execute such documents as may be reasonably necessary to accomplish such transfer or assignment of the Letter of Credit and shall pay any transfer fees of the Issuing Bank.

Tenant covenants that it will not assign or encumber, or attempt to assign or encumber, the Letter of Credit or any proceeds thereof, and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. If the Landlord determines, in its sole discretion, that the financial condition of the Issuing Bank has so declined as to cause concern that the Issuing Bank may not honor a draw on its Letter of Credit, Tenant shall promptly, and in any event, within thirty (30) days of Landlord's written demand therefor, obtain a replacement Letter of Credit complying with the terms hereof from another commercial bank acceptable to Landlord with offices for

banking purposes in Boston, Massachusetts; provided, that Landlord shall be obligated to return the original replaced Letter of Credit within five (5) business days of Landlord's receipt of the replacement Letter of Credit.

Notwithstanding the foregoing, so long as no monetary Event of Default beyond any applicable notice and cure period then exists and an Event of Default beyond any applicable notice and cure period with respect to a monetary obligation of Tenant has not previously occurred, upon the written request of Tenant at any time on or after the applicable Date of Reduction of Letter of Credit set forth in the table below, the Letter of Credit shall be reduced by the Amount of Reduction to Letter of Credit applicable to such date to the Remaining Amount of Letter of Credit applicable to such date as follows:

Date of Reduction of Letter of Credit	Amount of Reduction to Letter of Credit	Remaining Amount of Letter of Credit
The last day of the Twenty-Fourth (24th) full calendar month following the Rent Commencement Date	$610,895.25	$1,221,790.50
The last day of the Forty-Eighth (48th) full calendar month following the Rent Commencement Date	$610,895.25	$610,895.25

Landlord and Tenant hereby acknowledge and agree that the reductions of the Letter of Credit set forth above may be implemented by either an amendment to the original Letter of Credit or by substitution of a reduced letter of credit, provided however, Landlord shall have no obligation to return the Letter of Credit then held by Landlord until such time as Tenant has delivered the Reduced Letter of Credit meeting the criteria set forth in the first paragraph of this Article XI (other than the amount).

ARTICLE XII
MODIFICATION

No modification of any of the provisions of this Lease shall be valid or effective unless and until a written amendment, executed by both Landlord Tenant shall be signed and delivered. In the event that any holder or prospective holder of any mortgage which includes the Demised Premises as part of the mortgaged premises, shall request any modification of any of the

provisions of this Lease, other than a provision directly related to the rents payable hereunder, the duration of the term hereof, or the size, use or location of the Demised Premises, Tenant agrees that Tenant will enter into an amendment of this Lease containing each such modification so requested. Notwithstanding the foregoing, Landlord hereby acknowledges and agrees that the preceding sentence shall not require Tenant to enter into any amendment of this Lease which increases Tenant's payment obligations, materially affects Tenant's rights or obligations under the Lease, or Tenant's use and enjoyment of the Demised Premises as set forth in this Lease.

ARTICLE XIII
OPTION

(A) OPTION TERM

Tenant shall have the right, at its election, to extend the Initial Term of this Lease for one (1) additional period of five (5) years commencing upon the expiration of the Initial Term, provided that Landlord shall receive written notice from Tenant of the exercise of its election not less than twelve (12) months and not more than eighteen (18) months prior to the expiration of the Initial Term and provided further that no default beyond any applicable notice and cure period shall then be existing at the time of delivery of written notice to Landlord. Prior to the exercise by Tenant of said election to extend the Initial Term, the terms "Term" or "Term of this Lease" or any equivalent expressions shall mean the Initial Term; after the exercise by Tenant of the aforesaid election, the expressions "Term", "Term of this Lease" or any equivalent terms shall mean the Initial Term as extended. Except as expressly otherwise provided in this Lease, all the agreements and conditions in this Lease contained shall apply to the additional period to which the Initial Term shall be extended as aforesaid, however, notwithstanding the foregoing, Tenant shall have no further right to extend the Initial Term beyond the five (5) year period described in this Article XIII. If Landlord shall receive notice of the exercise of the election in the manner and within the time provided aforesaid, the Term shall be extended upon the receipt of the notice without the requirement of any action on the part of Landlord.

(B) OPTION RENT

During the additional period for which the Initial Term of this Lease may be extended as set forth in Section (A) of this Article XIII above, the Fixed Rent payable hereunder shall be adjusted so as to equal the "fair market rent", as mutually determined by Landlord and Tenant through the process of negotiation. Notwithstanding anything to the contrary contained herein, however, if for any reason whatsoever Landlord and Tenant shall not agree in writing upon the "fair market rent" for said additional period at least six (6) months prior to the expiration of the Initial Term, then the fair market rent for premises of the size and nature of the Demised Premises shall be determined by licensed real estate appraisers having at least five (5) years' experience in the appraisal of commercial real estate in Boston, Massachusetts, one such appraiser to be designated by each of Landlord and Tenant. If either party shall fail to designate its appraiser by giving notice of the name of such appraiser to the other party within fifteen (15) days after receiving notice of the name of the other party's appraiser, then the appraiser chosen by the other party shall determine the fair market rent and his determination shall be final and

conclusive. If the appraisers designated by Landlord and Tenant shall disagree as to the fair market rent, but if the difference between their estimates of fair market rent shall be five percent (5%) or less of the greater of the estimates, then the average of their estimates shall be the fair market rent for purposes hereof. If the appraisers designated by Landlord and Tenant shall disagree as to the amount of fair market rent, and if their estimates of fair market rent shall vary by more than five percent (5%) of the greater of said estimates, then they shall jointly select a third appraiser meeting the qualifications set forth above, and such third appraiser's estimate of fair market rent shall be the fair market rent for purposes hereof if it is not greater than the greater of the other two estimates and not less than the lesser of the other two estimates. If said third appraiser's estimate is greater than the greater of the other two estimates, then the greater of the other two estimates shall be the fair market rent for purposes hereof; and if the estimate of the third appraiser shall be less than the lesser of the other two estimates, then the lesser of the other two estimates shall be the fair market rent for purposes hereof. Each of Landlord and Tenant shall pay for the services of its appraiser, and if a third appraiser shall be chosen, then each of Landlord and Tenant shall pay for one-half of the services of the third appraiser.

ARTICLE XIV
ROOF LICENSE

(A) Tenant shall have the non-exclusive license during the Term of this Lease, at no additional cost, to install, operate and maintain, all in good order and repair, supplemental equipment to serve the Demised Premises ("Equipment") and one (1) antenna (collectively with other roof-top transmission and reception equipment, "Antenna") (the Equipment and Antenna may be referred to herein collectively as the "Roof-top Equipment") on a portion or portions of the roof of the Building ("Roof') in compliance with all of the terms and conditions of this Lease, including, but not limited to, Article III and Exhibit B-2 and in locations reasonably designated by Landlord. Tenant shall only use the Antenna to transmit and receive data transmissions for Tenant's use in the Demised Premises. No person or entity other than Tenant (or a permitted subtenant or assignee, successor or assign) shall have the right to use or receive transmissions from the Antenna. Tenant acknowledges and agrees that the right granted to Tenant hereunder is a nonexclusive license and is not a lease or an appurtenant right to the Demised Premises; provided, however, that Landlord shall have no right to suspend or terminate this license, except in accordance with the express terms of Section XIV (C) below or in the event the Lease Term has expired or has been terminated.

(B) Landlord shall have the right to require that the Equipment not be visible from any location on the ground and/or that the all such equipment be screened in a manner reasonably satisfactory to Landlord, in Landlord's good faith discretion. All installation and maintenance of the Roof-top Equipment by Tenant shall be done in compliance with all applicable laws. Landlord may require anyone going on the Roof to execute in advance a liability waiver satisfactory to Landlord.

(C) Tenant's license to operate and maintain the Roof-top Equipment on the Roof shall automatically expire and terminate on the date that the Term of this Lease expires or is otherwise terminated. This right to operate and maintain the Roof-top Equipment on the Roof

shall be suspended, at Landlord's option, if any of the following continue for more than five (5) business days after written notice from Landlord to Tenant (or such longer period as is reasonable under the circumstances and proportionate to the interference or damage or interference being caused and so long as Tenant is diligently pursuing a cure): (a) the Roof-top Equipment is causing physical damage to the Building or the Roof, (b) the Roof-top Equipment is causing Landlord to be in violation any local, state or federal law, regulation or ordinance or (c) the Antenna is interfering with the normal or customary transmission or receipt of signals from or to the Building; provided, Tenant shall have the right to remedy any of the foregoing circumstances to ensure the cessation of damage, or violation, as the case may be, to Landlord's reasonable satisfaction and thereupon Tenant may resume such use. Notwithstanding the foregoing, Landlord may suspend such right prior to the expiration of the five (5) business day period but after notice (which may be oral) to Tenant under any of the following circumstances: (x) if necessary to prevent civil or criminal liability of Landlord in connection therewith; (y) if necessary to prevent an imminent and material interference of the conduct of business in the Building; or (z) if necessary to prevent injury to persons or imminent and material damage to the Building, Roof or other property therein (which shall include but not be limited to damage to or leaking of the Roof membrane).

ARTICLE XV
SIGNAGE

Landlord agrees to provide Tenant with Building standard listings on any common Building directories, and Building standard suite entry signage at Landlord’s cost (subject to Section (C) of Article V herein). In addition, Tenant shall have the non-exclusive right, at Tenant’s sole cost and expense, to install mutually agreed upon prominent exterior signage, the location, size, design, logo, colors, method of attachment to the Building and degree of illumination, if any, of which shall be subject to Landlord’s prior approval and the approval of any required governmental authority having jurisdiction over the Building (which approval shall be Tenant’s sole responsibility to obtain). Any sign installed in or on the Building by Tenant shall be consistent with standard Building signage, will conform to local regulations and shall otherwise be subject to Landlord’s review and approval. At the expiration or early termination of the Term, Tenant shall remove any sign installed by Tenant and repair all damage caused by such removal.

ARTICLE XVI
RIGHT OF FIRST OFFER

If, during the Term, the space on the second (2nd) floor of the Building consisting of 14,034 rentable square feet and identified on the plan attached hereto as Exhibit G (the “ROFO Space”) shall (a) no longer be subject to a written lease, and (b) not be subject to any prior rights of existing tenants pursuant to a written lease agreement existing prior to the date of this Lease (which shall include the ability of Landlord to extend the term of the then-current tenant of the ROFO Space even if said tenant’s written lease does not include an extension right),

then provided no Event of Default exists at such time, and further provided that five (5) years remain in the Term of this Lease or Landlord and Tenant agree to extend this Lease so at least five (5) years remain in the Term of this Lease, Landlord shall offer the ROFO Space to Tenant at the fair market rental rate for such space, which fair market rental rate shall be stated in Landlord's written notice letter to Tenant (the "ROFO Space Rental Rate"). Tenant shall have ten (10) business days to accept or reject such offer, without condition, but may condition such acceptance on mutual agreement on determination of ROFO Space Rental Rate. If Tenant accepts such offer, Landlord and Tenant shall work in good faith to agree upon the ROFO Space Rental Rate and enter into an appropriate amendment of this Lease, and Tenant shall perform, at its cost and expense pursuant to plans reasonably approved by Landlord, the work necessary to prepare said ROFO Space for Tenant's occupancy. If Tenant fails to respond within ten (10) business days of receipt of Landlord's written offer, Tenant shall be deemed to have rejected the offer to lease said ROFO Space and if Tenant accepts such offer within such ten (10) business days of receipt of Landlord's written offer but Landlord and Tenant fail to agree upon the ROFO Space Rental Rate within ten (10) business days of Landlord's receipt of such acceptance, Tenant shall be deemed to have rescinded its acceptance of Landlord's offer. In the event Tenant has rejected or has been deemed to have rejected or rescinded a Landlord offer on the ROFO Space, such acceptance shall be null and void and Landlord shall be free to lease the ROFO Space to any other party without obligation to re-offer the ROFO Space to Tenant, except in connection with a Re-Offer Event (as defined below). Notwithstanding the foregoing, in the event Landlord has either (a) failed to enter into a lease with a third-party tenant with respect to the ROFO Space within six (6) months of such rejection or deemed rejection or rescission, or (b) offers the ROFO Space at a ROFO Space Rental Rate which is less than ninety-five percent (95%) of the ROFO Space Rental Rate last offered to Tenant prior to the Tenant's rescission or deemed rescission described above (a "Re-Offer Event"), Landlord shall re-offer the ROFO Space to Tenant (on the same terms and conditions and procedures set forth above, including additional Re-Offer Events with respect to each subsequent ROFO Space Rental Rate offered to Tenant). Tenant hereby acknowledges and agrees that, subject to the immediately preceding sentence and all Re-Offer Events, Tenant's right to be offered the opportunity to lease the ROFO Space is a one-time right and, so long as Landlord has complied with the terms and conditions of this Article XVI, Tenant's right to be offered the opportunity to lease the ROFO Space shall terminate and have no further force or effect immediately upon Tenant's rejection or deemed rejection or rescission of an offer given by Landlord. In addition, for purposes of clarity, so long as Landlord has complied with the terms and conditions of this Article XVI, immediately upon Landlord entering into a lease of the ROFO Space with a third party tenant this Article XVI shall terminate and have no further force or effect.

ARTICLE XVII
ROOF DECK

So long as the Demised Premises are expanded by the entire ROFO Space and subject to Landlord's review and approval of plans and specifications therefor, which shall not be unreasonably withheld, conditioned or delayed, the terms and conditions of Section (C) of Article III hereof, and reasonable rules and regulations which Landlord may impose from time

to time, as part of Tenant's Work, Tenant shall have the right to construct, at its sole cost and expense, an outdoor roof deck on the roof of the Building in the location identified on Exhibit H attached hereto (the "Rooftop Deck"), however, to the extent any portion of the Allowance is still available for use and the time period for use of the Allowance has not otherwise expired (as set forth in Section (E) of Article III above), such available portion of the Allowance may be used by Tenant for construction of the Rooftop Deck. In the event Tenant elects to construct the Rooftop Deck, Tenant shall have the exclusive right to use such Rooftop Deck and, for purposes of this Lease, the Rooftop Deck shall be deemed to be part of the Demised Premises however, except as may be specifically set forth herein, Tenant shall not be required to pay Rent therefor. Landlord shall cooperate in good faith with Tenant in Tenant's efforts to obtain all required permits for the Rooftop Deck.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

EXECUTED as a sealed instrument in two or more counterparts as of the day and year first above written.

LANDLORD:

HOOD PARK LLC,
a Massachusetts limited liability company

By: Catamount Management Corporation
Its Manager

By: /s/ Christopher P. Kaneb
Name: Christopher P. Kaneb
Title: Vice President

TENANT:

SOLID BIOSCIENCES INC.
a Delaware corporation

By: /s/ Illan Ganot
Name: Illan Ganot
Title: Chief Executive Officer and President

SOLID BIOSCIENCES INC.
NONSTATUTORY STOCK OPTION AGREEMENT

Solid Biosciences Inc. (the "Company") hereby grants the following stock option. The terms and conditions attached hereto are also a part hereof.

Notice of Grant

Name of optionee (the "Participant"):	_____
Grant Date:	
Number of shares of the Company's Common Stock subject to this option ("Shares"):	
Option exercise price per Share:	$_____
Number, if any, of Shares that vest immediately on the grant date:	
Shares that are subject to vesting schedule:	
Vesting Start Date:	
Final Exercise Date:	

Vesting Schedule:

Vesting Date:	Number of Options that Vest:
July 1, 2022	
July 1, 2023	
July 1, 2024	
July 1, 2025	
All vesting is dependent on the Participant remaining an Eligible Participant, as provided herein.	

This option satisfies in full all commitments that the Company has to the Participant with respect to the issuance of stock, stock options or other equity securities.

SOLID BIOSCIENCES INC.

_____
Signature of Participant

By: _____
Name of Officer
Title:

_____
Street Address

_____
City/State/Zip Code

Solid Biosciences Inc.
Stock Option Agreement
Incorporated Terms and Conditions

1. Grant of Option.

This agreement evidences the grant by the Company, on the grant date (the "Grant Date") set forth in the Notice of Grant that forms part of this agreement (the "Notice of Grant"), to the Participant of an option to purchase, in whole or in part, on the terms provided herein, the number of Shares set forth in the Notice of Grant of common stock, $0.001 par value per share, of the Company ("Common Stock"), at the exercise price per Share set forth in the Notice of Grant. Unless earlier terminated, this option shall expire at 5:00 p.m., Eastern time, on the Final Exercise Date set forth in the Notice of Grant (the "Final Exercise Date").

The option evidenced by this agreement was granted to the Participant pursuant to the inducement grant exception under Nasdaq Stock Market Rule 5635(c)(4) as an inducement that is material to the Participant's employment with the Company, and not pursuant to the Company's 2020 Equity Incentive Plan, or any equity incentive plan of the Company

The option evidenced by this agreement shall not be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. Vesting Schedule.

This option will become exercisable ("vest") in accordance with the vesting schedule set forth in the Notice of Grant.

The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof.

3. Exercise of Option.

(a) Form of Exercise. Each election to exercise this option shall be in writing, in the form of the Stock Option Exercise Notice attached as Annex A, signed by the Participant, and received by the Company at its principal office, accompanied by this agreement, or in such other form (which may be electronic) as is approved by the Company, together with payment in full in the manner provided this Section 3(a). The Participant may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share. Payment shall be made as follows:

(1) in cash or by check, payable to the order of the Company;

(2) by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(3) to the extent approved by the Board of Directors of the Company (the "Board"), in its sole discretion, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their fair market value (valued in the manner determined by (or in a manner approved by) the Board (the "Fair Market Value")), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent approved by the Board in its sole discretion, by delivery of a notice of "net exercise" to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the option being exercised divided by (B) the Fair Market Value on the date of exercise;

(5) to the extent permitted by applicable law and approved by the Board in its sole discretion, by payment of such other lawful consideration as the Board may determine; provided, however, that in no event may a promissory note of the Participant be used to pay the exercise price; or

(6) by any combination of the above permitted forms of payment.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 3, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the Grant Date, an employee, director or officer of, or consultant or advisor to, the Company or any other entity the employees, officers, directors, consultants, or advisors of which are eligible to receive option grants under the Plan (an "Eligible Participant").

(c) Termination of Relationship with the Company. If the Participant ceases to be an Eligible Participant for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided that this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the restrictive covenants (including, without limitation, the non-competition, non-solicitation, or confidentiality provisions) of any employment contract, any non-competition, non-solicitation, confidentiality or assignment agreement to which the Participant is a party, or any other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Death or Disability. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Participant and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of death or disability of the Participant, by the Participant (or in the case of death by an authorized transferee), provided that this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date.

(e) Termination for Cause. If, prior to the Final Exercise Date, the Participant's employment or other relationship with the Company is terminated by the Company for Cause (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such termination of employment or other relationship. If, prior to the Final Exercise Date, the Participant is given notice by the Company of the termination of his or her employment or other relationship by the Company for Cause, and the effective date of such employment or other termination is subsequent to the date of delivery of such notice, the right to exercise this option shall be suspended from the time of the delivery of such notice until the earlier of (i) such time as it is determined or otherwise agreed that the Participant's employment or other relationship shall not be terminated for Cause as provided in such notice or (ii) the effective date of such termination of employment or other relationship (in which case the right to exercise this option shall, pursuant to the preceding sentence, terminate upon the effective date of such termination of employment or other relationship). If the Participant is subject to an individual employment, consulting or severance agreement with the Company or eligible to participate in a Company severance plan or arrangement, in any case which agreement, plan or arrangement contains a definition of "cause" for termination of employment or other relationship, "Cause" shall have the meaning ascribed to such term in such agreement, plan or arrangement. Otherwise, "Cause" shall mean willful misconduct by the Participant or willful failure by the Participant to perform his or her responsibilities to the Company (including, without limitation, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Company, which determination shall be conclusive. The Participant's employment or other relationship shall be considered to have been terminated for Cause if the Company determines, within 30 days after the Participant's resignation, that termination for Cause was warranted.

4. Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under this option. The Company may decide to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise of this option or at the same time as payment of the exercise price, unless the Company determines otherwise. If approved by the Board in its sole discretion, the Participant may satisfy such tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, underlying this

option, valued at their Fair Market Value; provided, however, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). Shares used to satisfy tax withholding requirements cannot be subject to any forfeiture, unfulfilled vesting or other similar requirements.

5. Transfer Restrictions; Clawback.

(a) This option may not be sold, assigned, transferred, pledged, encumbered or otherwise disposed of by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

(b) In accepting this option, the Participant agrees to be bound by any clawback policy that the Company has in place or may adopt in the future.

6. Adjustments for Changes in Common Stock and Certain Other Events.

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, the number and class of securities and exercise price per share of this option shall be equitably adjusted by the Company (or substitute options may be granted, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to this option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then the Participant, if he or she exercises this option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events. A "Reorganization Event" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is canceled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(c) Consequences of a Reorganization Event.

(A) In connection with a Reorganization Event, the Board may take any one or more of the following actions with respect to this option (or any portion thereof) on such terms as the Board determines (except to the extent specifically provided otherwise in another agreement between the Company and the Participant): (i) provide that this option shall be assumed, or a substantially equivalent option shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to the Participant, provide that the unexercised portion of this option will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice, (iii) provide that this option shall become exercisable, in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to the Participant with respect to this option equal to (A) the number of shares of Common Stock subject to the vested portion of this option (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (B) the excess, if any, of (I) the Acquisition Price over (II) the exercise price of this option and any applicable tax withholdings, in exchange for the termination of this option, (v) provide that, in connection with a liquidation or dissolution of the Company, this option shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price hereof and any applicable tax withholdings) and (vi) any combination of the foregoing.

(B) For purposes of Section 6(c)(A)(i), this option shall be considered assumed if, following consummation of the Reorganization Event, this option confers the right to purchase, for each share of Common Stock subject to this option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of this option to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determined to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

7. Miscellaneous.

(a) No Right To Employment or Other Status. The grant of this option shall not be construed as giving the Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with the Participant free from any liability or claim hereunder.

(b) No Rights As Stockholder. Subject to the provisions of this option, the Participant shall not have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to this option until becoming the record holder of such shares.

(c) Amendment. The Board may amend, modify or terminate this agreement, including but not limited to, substituting another option of the same or a different type and changing the date of exercise or realization. Notwithstanding the foregoing, the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(d) Compliance with Code Section 409A. This agreement does not, and shall not be amended so as to, provide for deferral of compensation that does not comply with Section 409A of the Code, unless the Board, at the time of amendment, specifically provides that this agreement is not intended to comply with Section 409A of the Code.

(e) Acceleration. The Board may at any time provide that this option shall become immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be.

(f) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to this Agreement until (i) all conditions of this Agreement have been met to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(g) Administration by Board. The Board will administer this Agreement and may construe and interpret the terms hereof. The Board may correct any defect, supply any omission or reconcile any inconsistency in this Agreement in the manner and to the extent it shall deem expedient to carry the Agreement into effect and it shall be the sole and final judge of such expediency. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under this Agreement made in good faith.

(h) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers hereunder to one or more committees or subcommittees of the Board (a "Committee"). All references herein to the "Board" shall mean the Board or a Committee to the extent that the Board's powers or authority hereunder have been delegated to such Committee.

(i) Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof, and each such other provision shall be severable and enforceable to the extent permitted by law.

(j) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware.

(k) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one in the same instrument.

ANNEX A

Solid Biosciences Inc.

Stock Option Exercise Notice

Solid Biosciences Inc.
[Address]
[Address]

Dear Sir or Madam:

I, _____ (the "Participant"), hereby irrevocably exercise the right to purchase _____ shares of the Common Stock, $0.001 par value per share (the "Shares"), of Solid Biosciences Inc. (the "Company") at $_____ per share pursuant to a nonstatutory stock option agreement with the Company dated _____ (the "Option Agreement"). Enclosed herewith is a payment of $_____, the aggregate purchase price for the Shares. The certificate for the Shares should be registered in my name as it appears below or, if so indicated below, jointly in my name and the name of the person designated below, with right of survivorship.

Dated: _____

_____
Signature
Print Name:

Address:

_____
_____

Name and address of persons in whose name the Shares are to be jointly registered (if applicable):

_____

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Ilan Ganot, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Solid Biosciences 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.

/s/ Ilan Ganot
Ilan Ganot
President and Chief Executive Officer
(Principal Executive Officer)
Dated: August 16, 2021

Exhibit 31.2

Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Stephen DiPalma, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Solid Biosciences 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.

/s/ Stephen DiPalma
Stephen DiPalma
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)
Dated: August 16, 2021

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Solid Biosciences Inc. (the "Company") for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Ilan Ganot, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 16, 2021

/s/ Ilan Ganot
Ilan Ganot
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Solid Biosciences Inc. (the "Company") for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Stephen DiPalma, Interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 16, 2021

/s/ Stephen DiPalma
Stephen DiPalma
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.