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 September 30, 2018

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: 001-38459

SURFACE ONCOLOGY, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**46-5543980**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
50 Hampshire Street, 8th Floor Cambridge, MA	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 714-4096

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	☒	Small 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 Act). Yes ☐ No ☒

As of November 8, 2018, the registrant had 27,681,724 shares of common stock, $0.0001 par value per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by such forward-looking terminology as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- the timing, progress and results of preclinical studies and clinical trials for our current product candidates and other product candidates we may develop, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, and our research and development programs;
- the timing, scope or likelihood of regulatory filings and approvals, including timing of Investigational New Drug application and Biological Licensing Application filings for, and final U.S. Food and Drug Administration approval of our current product candidates and any other future product candidates;
- the timing, scope or likelihood of foreign regulatory filings and approvals;
- our ability to use our understanding of the tumor microenvironment to identify product candidates and to match immunotherapies to select patient subsets;
- our ability to develop and advance our current product candidates and programs into, and successfully complete, clinical studies;
- our ability to develop combination therapies, whether on our own or in collaboration with Novartis Institutes for Biomedical Research, Inc., or Novartis, and other third parties;
- our manufacturing, commercialization and marketing capabilities and strategy;
- the pricing and reimbursement of our current product candidates and other product candidates we may develop, if approved;
- the rate and degree of market acceptance and clinical utility of our current product candidates and other product candidates we may develop;
- the potential benefits of and our ability to maintain our collaboration with Novartis, and establish or maintain future collaborations or strategic relationships or obtain additional funding;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our intellectual property position, including the scope of protection we are able to establish and maintain for intellectual property rights covering our current product candidates and other product candidates we may develop, the validity of intellectual property rights held by third parties, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;
- our competitive position, and developments and projections relating to our competitors and our industry;
- our expectations related to the use of our existing cash, cash equivalents and marketable securities and the proceeds from this offering and the concurrent private placement;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and
- the impact of laws and regulations.

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of or any material adverse change in one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the Securities and Exchange Commission could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SURFACE ONCOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 41,592	$ 22,455
Marketable securities	131,783	40,854
Restricted cash	—	85
Prepaid expenses and other current assets	4,538	7,936
Total current assets	177,913	71,330
Property and equipment, net	7,099	7,326
Restricted cash	1,198	1,000
Deferred offering costs	—	1,784
Other assets	68	14
Total assets	$ 186,278	$ 81,454
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 4,228	$ 3,215
Accrued expenses and other current liabilities	7,298	9,843
Deferred revenue - related party	15,760	9,837
Deferred rent	352	489
Total current liabilities	27,638	23,384
Deferred revenue - related party, non-current	47,957	72,268
Deferred rent, non-current	4,663	4,599
Total liabilities	80,258	100,251
Commitments and contingencies (Note 11)		
Redeemable convertible preferred stock (Series A and A-1), $0.0001 par value; no shares authorized, issued and outstanding at September 30, 2018 and 37,100,000 shares authorized, issued and outstanding at December 31, 2017	—	48,517
Stockholders' equity (deficit):		
Preferred stock, $0.0001 par value per share; 5,000,000 shares authorized at September 30, 2018 and no shares authorized at December 31, 2017; no shares issued and outstanding at September 30, 2018 and December 31, 2017	—	—
Common stock, $0.0001 par value; 150,000,000 and 53,000,000 shares authorized at September 30, 2018 and December 31, 2017, respectively; 27,607,213 and 2,686,350 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	3	—
Additional paid-in capital	168,278	6,877
Accumulated other comprehensive loss	(190)	(246)
Accumulated deficit	(62,071)	(73,945)
Total stockholders' equity (deficit)	106,020	(67,314)
Total liabilities, redeemable convertible preferred stock and stockholders' equity	$ 186,278	$ 81,454

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

SURFACE ONCOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

(In thousands, except share and per share data)

	Three months ended September 30, 2018		Nine months ended September 30,	
	2018	2017	2018	2017
Collaboration revenue - related party	$ 1,730	$ 2,480	$ 49,653	$ 10,347
Operating expenses:				
Research and development	15,783	12,101	41,971	31,501
General and administrative	3,977	4,651	11,252	8,201
Total operating expenses	19,760	16,752	53,223	39,702
Loss from operations	(18,030)	(14,272)	(3,570)	(29,355)
Interest and other income (expense), net	808	208	1,708	470
Loss before income taxes	(17,222)	(14,064)	(1,862)	(28,885)
Provision for income taxes	—	(341)	—	(719)
Net loss	(17,222)	(14,405)	(1,862)	(29,604)
Accretion of redeemable convertible preferred stock to redemption value	—	(10)	(11)	(30)
Net loss attributable to common stockholders	$ (17,222)	$ (14,415)	$ (1,873)	$ (29,634)
Net loss per share attributable to common stockholders—basic and diluted	$ (0.62)	$ (5.75)	$ (0.11)	$ (12.11)
Weighted average common shares outstanding—basic and diluted	27,598,251	2,506,150	17,398,249	2,446,156
Comprehensive loss:				
Net loss	$ (17,222)	$ (14,405)	$ (1,862)	$ (29,604)
Other comprehensive income:				
Unrealized gain on marketable securities, net of tax of $0	43	43	56	176
Comprehensive loss	$ (17,179)	$ (14,362)	$ (1,806)	$ (29,428)

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

SURFACE ONCOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

(In thousands, except share amounts)

	Series A and A-1 Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balances at December 31, 2017	37,100,000	$ 48,517	2,686,350	—	$ 6,877	$ (246)	$ (73,945)	$ (67,314)
Issuance of common stock upon exercise of stock options	—	—	107,508	—	183	—	—	183
Repurchases of unvested restricted stock	—	—	(16,935)	—	—			
Stock-based compensation expense	—	—	—	—	3,995	—	—	3,995
Accretion of redeemable convertible preferred stock to redemption value	—	11	—	—	(11)	—	—	(11)
Conversion of redeemable convertible preferred stock to common stock	(37,100,000)	(48,528)	16,863,624	2	48,526			48,528
Issuance of common stock upon completion of initial public offering, net of commissions, underwriting discounts and offering costs	—	—	7,200,000	1	97,208			97,209
Issuance of common stock to a related party	—	—	766,666	—	11,500			11,500
Adjustment due to the adoption of ASC 606	—	—	—	—	—	—	13,736	13,736
Unrealized gain on marketable securities	—	—	—	—	—	56	—	56
Net loss	—	—	—	—	—	—	(1,862)	(1,862)
Balances at September 30, 2018	—	$ —	27,607,213	$ 3	$ 168,278	$ (190)	$ (62,071)	$ 106,020

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

SURFACE ONCOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	$ (1,862)	$ (29,604)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	982	657
Stock-based compensation expense	3,995	4,036
Net amortization of premiums and discounts on marketable securities	(207)	407
Realized losses on marketable securities	—	2
Loss on disposal of property and equipment	13	35
Deferred income tax benefit	—	(3,156)
Changes in operating assets and liabilities:		
Amounts due from related party	—	5,000
Prepaid expenses and other current assets	3,398	1,156
Other assets	(54)	(19)
Accounts payable	1,144	1,062
Accrued expenses and other current liabilities	(1,964)	2,517
Deferred rent	(73)	297
Deferred revenue - related party	(4,652)	19,654
Net cash provided by operating activities	720	2,044
Cash flows from investing activities:		
Purchases of property and equipment	(896)	(1,395)
Purchases of marketable investments	(107,258)	—
Proceeds from sales or maturities of marketable securities	16,592	20,890
Net cash (used in) provided by investing activities	(91,562)	19,495
Cash flows from financing activities:		
Payments of initial public offering costs	(2,031)	(253)
Proceeds from initial public offering of common stock, net of commissions and underwriting discounts	100,440	—
Proceeds from issuance of common stock to a related party	11,500	—
Proceeds from exercise of stock options	183	39
Net cash provided by (used in) financing activities	110,092	(214)
Net increase in cash and cash equivalents and restricted cash	19,250	21,325
Cash and cash equivalents and restricted cash at beginning of period	23,540	11,080
Cash and cash equivalents and restricted cash at end of period	$ 42,790	$ 32,405
Supplemental disclosure of non-cash investing and financing activities:		
Accretion of redeemable convertible preferred stock to redemption value	$ 11	$ 30
Purchases of property and equipment included in accounts payable and accrued expenses	$ 322	$ 246
Deferred offering costs included in accrued expenses	$ —	$ 78
Reclassification of deposit liability for restricted stock upon vesting of shares	$ —	$ 36
Landlord incentives for construction of leasehold improvements recorded as deferred rent	$ —	$ 2,377

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

1. Nature of the Business

Surface Oncology, Inc. (the "Company" or "Surface") is a clinical-stage immuno-oncology company focused on using its specialized knowledge of the biological pathways critical to the immunosuppressive tumor microenvironment for the development of next-generation cancer therapies. Surface was incorporated in April 2014 under the laws of the State of Delaware.

The Company is subject to risks common to early-stage companies in the biotechnology industry including, but not limited to, development by competitors of new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the ability to obtain additional financing to fund operations. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure and extensive compliance-reporting capabilities. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

On April 6, 2018, the Company effected a one-for-2.2 reverse stock split of its issued and outstanding shares of common stock and a proportional adjustment to the existing conversion ratios for each series of the Company's Redeemable Convertible Preferred Stock (see Note 6). Accordingly, all share and per share amounts for all periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this reverse stock split and adjustment of the preferred stock conversion ratios.

On April 23, 2018, the Company completed its initial public offering of its common stock by issuing 7,200,000 shares of common stock, at $15.00 per share for gross proceeds of $108,000, or net proceeds of $97,209 after deducting underwriting discounts, commissions and offering expenses. Concurrent with the initial public offering, the Company issued Novartis Institutes for Biomedical Research, Inc. (Novartis) 766,666 shares of its common stock at $15.00 per share for proceeds of $11,500, in a private placement.

Upon the closing of the Company's initial public offering on April 23, 2018, all shares of Series A and A-1 redeemable convertible preferred stock (the "Series A Preferred Stock" and "Series A-1 Preferred Stock", respectively) automatically converted into 16,863,624 shares of common stock.

The Company's financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. The Company has primarily funded its operations with proceeds from the sales of redeemable convertible preferred stock, proceeds from a collaboration agreement with Novartis and proceeds from the Company's initial public offering of common stock. The Company has incurred losses and negative cash flows from operations since its inception. As of September 30, 2018, the Company had an accumulated deficit of $62,071.

The Company expects that its operating losses and negative cash flows will continue for the foreseeable future. As of November 13, 2018, the filing date of this Quarterly Report on Form 10-Q, the Company expects that its cash, cash equivalents and marketable securities will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from the date that the condensed consolidated financial statements are issued. The future viability of the Company beyond that date is dependent on its ability to raise additional capital to finance its operations.

The Company will seek additional funding through public offerings, debt financings, collaboration agreements, strategic alliances and licensing arrangements. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborations or other arrangements. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. If the Company is unable to obtain funding, the Company could be required to delay, reduce or eliminate research and development programs, product portfolio expansion or future commercialization efforts, which could adversely affect its business prospects.

Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiary, Surface Securities Corporation, a Massachusetts corporation, after elimination of all intercompany accounts and transactions.

The accounting policies followed in the preparation of the interim condensed consolidated financial statements are consistent in all material respects with those presented in Note 1 to the financial statements included in the Company's final prospectus for its initial public offering of its common stock filed with the Securities and Exchange Commission (the "SEC") pursuant to Rule 424(b)(4) of the Securities Act on April 18, 2018, which the Company refers to as the Prospectus, except for the Company's adoption of the new standards as discussed below.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, revenue recognition, the accrual of research and development expenses and the valuation of common stock and stock-based awards. 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.

Unaudited Interim Financial Information

The accompanying condensed consolidated balance sheet as of September 30, 2018, the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2018 and 2017, the condensed consolidated statements of cash flows for the nine months ended September 30, 2018 and 2017, and the condensed consolidated statement of redeemable convertible preferred stock and stockholders' equity (deficit) for the nine months ended September 30, 2018 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of September 30, 2018 and the results of its operations and its cash flows for the nine months ended September 30, 2018 and 2017. The financial data and other information disclosed in these notes related to the three and nine months ended September 30, 2018 and 2017 are also unaudited. The results for the three and nine months ended September 30, 2018 are not necessarily indicative of results to be expected for the year ending December 31, 2018, any other interim periods, or any future year period.

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (or FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies how a company identifies promised goods or services and clarifies whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes collected from customers. In December 2016 the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which amends certain narrow aspects of the guidance issued in ASU 2014-09 including guidance related to the disclosure of remaining performance obligations and prior-period performance obligations, as well as other amendments to the guidance on loan guarantee fees, contract costs, refund liabilities, advertising costs and the clarification of certain examples. ASU 2016-08, ASU 2016-10 and ASU 2016-12 have the same effective dates and transition requirements as ASU 2014-09, all of which collectively are herein referred to as Revenue ASUs.

The Company adopted the Revenue ASUs effective January 1, 2018 using the modified retrospective method. Under the modified retrospective method, the cumulative effect of adopting the Revenue ASUs is recognized as an adjustment to deferred revenue and accumulated deficit. Under ASC 606, the Company will recognize revenue from its collaboration agreement with Novartis (see Note 5) earlier during the performance period as a result of applying the cost-to-cost method, in contrast to recognizing revenue on a straight-line basis over the estimated ten-year performance period under the previous standard. The following reflects the impact of the cumulative effect of the accounting changes upon the adoption of the Revenue ASUs (in thousands):

Condensed Consolidated Balance Sheets

	December 31, 2017	Cumulative Effect	January 1, 2018
Deferred revenue - related party, current and net of current portions	$ 82,105	$ (13,736)	$ 68,369
Accumulated deficit	(73,945)	13,736	(60,209)

	September 30, 2018		
	Under Topic 606	Under Topic 605	Effect of Change
Deferred revenue - related party	$ 15,760	$ 14,421	$ 1,339
Deferred revenue, net of current portion - related party	47,957	87,830	(39,873)
Accumulated deficit	(62,071)	(86,870)	24,799

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

	Three months ended September 30, 2018			Nine months ended September 30, 2018		
	Under Topic 606	Under Topic 605	Effect of Change	Under Topic 606	Under Topic 605	Effect of Change
Collaboration revenue - related party	$ 1,730	$ 3,634	$ (1,904)	$ 49,653	$ 24,854	$ 24,799
Income from operations	(18,030)	(16,126)	(1,904)	(3,570)	(28,369)	24,799
Net income	(17,222)	(15,318)	(1,904)	(1,862)	(26,661)	24,799
Comprehensive income	(17,179)	(15,275)	(1,904)	(1,806)	(26,605)	24,799

Condensed Consolidated Statements of Cash Flows

	Nine months ended September 30, 2018		
	Under Topic 606	Under Topic 605	Effect of Change
Net income	$ (1,862)	$ (26,661)	$ 24,799
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Deferred revenue - related party	(4,652)	20,147	(24,799)

During the nine months ended September 30, 2018, the Company adopted ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which addresses diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The adoption of this standard did not have any impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash ("ASU 2016-18")*. The amendments in this update require that amounts generally described as restricted cash and restricted cash equivalents be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 was effective January 1, 2018. As a result of adopting ASU 2016-18, the Company includes its restricted cash balance in the cash and cash equivalents reconciliation of operating, investing and financing activities. The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	As of September 30,	
	2018	2017
Cash and cash equivalents	$ 41,592	$ 31,320
Restricted cash included in current assets	—	85
Restricted cash included in non-current assets	1,198	1,000
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 42,790	$ 32,405

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 will require lessees to recognize most leases on their balance sheet as a right-of-use asset and a lease liability. Leases will be classified as either operating or finance, and classification will be based on criteria similar to current lease accounting, but without explicit bright lines. In July 2018, the FASB issued ASU No. 2018-10, *"Codification Improvements to Topic 842, Leases"* ("ASU 2018-10"), which provides narrow amendments to clarify how to apply certain aspects of the new lease standard, and ASU No. 2018-11, "Leases (Topic 842) – Targeted Improvements" (ASU 2018-11), which addresses implementation issues related to the new lease standard. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, and early adoption is permitted. The Company anticipates material adjustments to its consolidated balance sheet for the recognition of a lease liability and a right of use asset for its operating leases, which primarily represents the lease of its corporate headquarters in Cambridge, Massachusetts.

In July 2017, the FASB issued *ASU 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, Derivatives and Hedging (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception* ("ASU 2017-11"). This guidance is intended to reduce the complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, a down round feature would no longer cause a freestanding equity-linked financial instrument (or an embedded conversion option) to be considered "not indexed to an entity's own stock" and therefore accounted for as a derivative liability at fair value with changes in fair value recognized in current earnings. Down round features are most often found in warrants and conversion options embedded in debt or preferred equity instruments. In addition, the guidance re-characterized the indefinite deferral of certain provisions on distinguishing liabilities from equity to a scope exception with no accounting effect. This guidance becomes effective January 1, 2019. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2017-11 will have on its consolidated financial statements.

In June, 2018, the FASB issued ASU No. 2018-07, Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"). The new standard simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The new standard will be effective beginning January 1, 2019 and early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2018-07 will have on its results of operations.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

3. Marketable Securities

As of September 30, 2018, the fair value of available-for-sale marketable debt securities by type of security was as follows:

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable debt securities:				
U.S. Treasury notes	$ 107,651	$ —	$ (55)	$ 107,596
U.S. Government agency bonds	2,900	—	(23)	2,877
Corporate bonds	21,422	—	(112)	21,310
	$ 131,973	$ —	$ (190)	$ 131,783

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

	September 30, 2018	
	Amortized Cost	Fair Value
Maturing in one year or less	$ 131,973	$ 131,783
	$ 131,973	$ 131,783

As of December 31, 2017, the fair value of available-for-sale marketable debt securities by type of security was as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable debt securities:				
U.S. government agency bonds	$ 7,300	$ —	$ (38)	$ 7,262
Corporate bonds	33,800	—	(208)	$ 33,592
	$ 41,100	$ —	$ (246)	$ 40,854

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

	December 31, 2017	
	Amortized Cost	Fair Value
Maturing in one year or less	$ 27,769	$ 27,672
Maturing after one year but less than two years	13,331	13,182
	$ 41,100	$ 40,854

The Company determined that there was no material change in the credit risk of these investments. As a result, the Company determined it did not hold any investments with an other-than-temporary decline in fair value as of September 30, 2018 and December 31, 2017.

4. Fair Value of Financial Assets

The following tables present information about the Company's financial assets 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 September 30, 2018 using:			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 30,856	$ —	$ —	$ 30,856
Marketable securities:				
U.S. Treasury notes	—	107,596	—	107,596
U.S. Government agency bonds	—	2,877	—	2,877
Corporate bonds	—	21,310	—	21,310
	$ 30,856	$ 131,783	$ —	$ 162,639

	Fair Value Measurements as of December 31, 2017 using:			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 17,409	$ —	$ —	$ 17,409
Marketable securities:				
U.S. government agency bonds	—	7,262	—	7,262
Corporate bonds	—	33,592	—	33,592
	$ 17,409	$ 40,854	$ —	$ 58,263

As of September 30, 2018 and December 31, 2017, the Company's cash equivalents were invested in money market funds and were valued based on Level 1 inputs. During the nine months ended September 30, 2018 and 2017, there were no transfers between Level 1, Level 2 and Level 3.

5. Collaboration Agreement with Novartis

Overview

In January 2016, the Company entered into a collaboration agreement with Novartis (the "Novartis Collaboration"), which was subsequently amended in May 2016, July 2017, September 2017 and October 2018 (the "October 2018 Amendment"). Pursuant to the Novartis Collaboration, the Company granted Novartis a worldwide exclusive license to research, develop, manufacture and commercialize antibodies that target CD73, along with the right to purchase exclusive option rights (each an "Option") for up to four

specified targets (each an "Option Target") to obtain certain development, manufacturing and commercialization rights. Novartis may exercise up to three purchased Options. Under the Novartis Collaboration, Novartis initially had the ability to exclusively license the development and manufacturing rights for up to four targets (inclusive of CD73). Of these, the Company would retain the U.S. commercial rights to two of such targets. The Novartis Collaboration is governed by a joint steering committee that is co-chaired by a chairperson designated by each of the Company and Novartis. The October 2018 Amendment, among other things, modified certain definitions and provisions of the Novartis Collaboration to make them consistent with the amended and restated development and option agreement the Company entered into with Adimab LLC in October and clarified the parties' rights and responsibilities relating to the amended agreement with Adimab LLC and diagnostic products.

Novartis is a related party because it is a principal stockholder of the Company. In January 2016, the Company entered into the Novartis Collaboration and sold 2,000,000 shares of its Series A-1 preferred stock to Novartis. In addition, concurrent with the Company's initial public offering of common stock, the Company issued Novartis 766,666 shares of its common stock at $15.00 per share for proceeds of $11,500 in a private placement.

During the nine months ended September 30, 2018 the Company made a payment of $3,437 to Novartis for the reimbursement of manufacturing costs incurred by Novartis prior to December 31, 2017. During the nine months ended September 30, 2017, the Company made no cash payments to Novartis related to the Novartis Collaboration.

Research on Targets

Under the Novartis Collaboration, the Company is responsible for performing preclinical research through the first investigational new drug application ("IND") acceptance on antibodies that bind to CD73 and each Option Target, pursuant to a research plan directed toward each target. The Company is responsible for all costs and expenses incurred by or on its behalf in connection with such research. Novartis also has the right, but not the obligation, to conduct research at its own cost on antibodies that bind to CD73 in accordance with the terms of the Novartis Collaboration.

Development and Commercialization of CD73 Products

Novartis has the sole right to develop and commercialize CD73 antibody candidates and corresponding licensed products worldwide pursuant to a development plan and a commercialization plan, respectively. Novartis is obligated to use commercially reasonable efforts to develop the CD73 antibody candidates and corresponding licensed products, to obtain regulatory approval of such products, including within certain defined markets, and to commercialize such products following regulatory approval. Novartis is responsible for all costs and expenses of such development and commercialization and is obligated to provide the Company with updates on its development and commercialization activities through the joint steering committee, joint development committee and joint commercialization committee.

Option Targets

Prior to the filing of an IND for an Option Target, Novartis may purchase the Option to obtain certain development, manufacturing and commercialization rights for antibodies that bind to the Option Target. To the extent Novartis does not elect to purchase an Option to an Option Target, the Option for such Option Target will expire and all rights to such Option Target under the Novartis Collaboration will terminate. Novartis may exercise up to a total of three purchased Options. Each exercised Option will be designated as either a regional or global option, with each such designation determining the development and commercialization rights between the parties with respect to such Option Target, corresponding antibody candidates and licensed products, as summarized below. The Company had the ability to designate the first Option as either regional or global. Of the remaining two Options, the Company and Novartis each have the ability to designate the geographical scope of one Option. Following Novartis' exercise of an Option with respect to an Option Target, the Company will grant to Novartis licenses that are necessary to effectuate the development, manufacturing or commercialization rights associated with a regional or global option, as described below.

In December 2016, Novartis purchased the Option for antibodies that bind to CD47 for $5,000, and as of December 31, 2017, there were three remaining Options that may be purchased by Novartis. In March 2018, Novartis notified the Company of its decision not to exercise its purchased Option related to CD47. In March 2018, the Company and Novartis also mutually agreed to cease development of one of the undisclosed programs subject to the Novartis Collaboration. Accordingly, as of September 30, 2018, Novartis had two Options remaining eligible for purchase, each of which can be exercised.

Development and Commercialization of Regional Licensed Products

To the extent an exercised Option is designated as regional, the Company is primarily responsible for the early clinical development of each corresponding regional antibody candidate and regional licensed product at its own cost. Unless the Company chooses to opt out of its development right, it will collaborate with Novartis on the further clinical development of regional antibody candidates and regional licensed products. Pursuant to a regional development plan for each regional licensed product, the Company will be responsible for development activities related to obtaining regulatory approval in the United States, with Novartis responsible for development activities related to obtaining regulatory approval elsewhere in the world. The development costs of such later clinical development activities will be split evenly among the parties. Thereafter, the Company is responsible for the commercialization of regional licensed products in the United States, and Novartis is responsible for the commercialization of regional licensed products outside of the United States, each pursuant to a commercialization plan. Each party must use commercially reasonable efforts to commercialize such products within their respective territories. The Company is obligated to work with Novartis to agree to a global commercialization strategy with respect to the regional licensed products prior to commercialization.

Development and Commercialization of Global Licensed Products

To the extent an exercised Option is designated as global, the Company is primarily responsible for the early clinical development of each global antibody candidate and global licensed product at the Company's own cost, and Novartis is solely responsible for the later worldwide clinical development of global antibody candidates and global licensed products, pursuant to a development plan for such global licensed product, at its own cost. Novartis is solely responsible for the worldwide commercialization of global licensed products and must use commercially reasonable efforts to commercialize such products, pursuant to a commercialization plan, at its own cost. Novartis agrees to provide the Company with development and commercialization updates regarding global licensed products through the joint steering committee, joint development committee and joint commercialization committee.

Exclusivity

Neither the Company nor Novartis may, alone or with any affiliate or third party, (i) research or develop any antibody that specifically binds to an Option Target for a specified period of time outside of the Novartis Collaboration or (ii) develop or commercialize any antibody that specifically binds to CD73 or any Option Target that subsequently becomes a licensed target for a specified period of time outside the Novartis Collaboration. The October 2018 Amendment clarified that Novartis is permitted to research, develop, manufacture or commercialize any diagnostic product that specifically binds to a licensed target, subject to Novartis' compliance with its rights and obligations under the Novartis Collaboration Agreement, and provided that where such diagnostic product is an Adimab diagnostic product, Novartis may research, develop, manufacture or commercialize such Adimab diagnostic product solely for the purpose of research, development or commercialization of a therapeutic or prophylactic licensed product that specifically binds to the same licensed target.

Financial Terms

Upon entering into the Novartis Collaboration in January 2016, Novartis made an upfront payment to the Company of $70,000. In addition, Novartis is obligated to pay the Company a fee to the extent it desires to purchase an Option for any Option Target and another fee to exercise such purchased Option, which entitles the Company to an aggregate of up to $67,500 in option purchase and option exercise payments, of which $5,000 has been received . The Company is also eligible to receive payments on a target-by-target basis upon the achievement of specified development and sales milestones as well as tiered royalties on annual net sales by Novartis of licensed products ranging from high single-digit to mid-teens percentages upon successful commercialization of any products. Under the Novartis Collaboration, the maximum aggregate amount of potential option purchase, option exercise and milestone payments the Company was entitled to was up to $1,167,500, of which $80,000 had been received as of September 30, 2018. Such amount of potential option purchase, option exercise and milestone payments assumed that Novartis purchased, and exercised, all of the Options available to it pursuant to the Novartis Collaboration as well as the successful clinical development of and achievement of all sales milestones for all targets covered by the Novartis Collaboration. In March 2018, Novartis notified the Company of its decision not to exercise its Option related to CD47. The Company is required to pay Novartis tiered royalties ranging from high single-digit to mid-teens percentages on annual net sales by the Company of regional licensed products in the United States. The royalty payments are subject to reduction under specified conditions set forth in the Novartis Collaboration.

Termination

Unless terminated earlier, the Novartis Collaboration will continue in effect until neither the Company nor Novartis is researching, developing, manufacturing or commercializing any antibody candidates or licensed products under the Novartis Collaboration. Novartis may terminate the Novartis Collaboration on a target-by-target basis for any reason upon prior notice to the Company within a specified time period. However, Novartis cannot terminate the Novartis Collaboration with respect to CD73 for a certain period of time following the effective date. Either party may terminate the Novartis Collaboration in full, or on a target-by-target basis, if an undisputed material breach is not cured within a certain period of time or upon notice of insolvency of the other party. To the extent Novartis terminates for convenience or for the Company's material breach or insolvency, Novartis will grant the Company, on mutually agreeable financial terms, an exclusive, worldwide, irrevocable, perpetual and royalty-bearing license with respect to intellectual property controlled by Novartis that is reasonably necessary to research, develop, manufacture or commercialize certain products.

Revenue Recognition – Collaboration Revenue

On January 1, 2018 the Company adopted ASC 606 under the modified retrospective method. Prior to January 1, 2018 the Company accounted for the collaboration agreement with Novartis under ASC 605-25, Multiple Element Arrangements.

Accounting under ASC 605

The Company determined that the deliverables under the Novartis Collaboration included (i) the worldwide exclusive license to CD73 antibody candidates, which was delivered to Novartis in January 2016 upon entering into the agreement and (ii) the Company's research and development and joint steering committee participation obligations under the agreement. The Company also determined that none of these deliverables have standalone value due to the specialized nature of the services to be provided by the Company in connection with the Novartis Collaboration. Therefore, at the inception of the arrangement, the Company concluded that the deliverables were not separable and, accordingly, the Company treated the license and undelivered services as a single unit of accounting and recognized revenue on a straight-line basis over the period that the Company expected to complete its performance obligations under the agreement, which was estimated to be ten years. Accordingly, the Company recognized the upfront payment and milestone payments received over the estimated ten-year period of performance.

In December 2016, Novartis purchased an exclusive option right to antibodies that bind to CD47 for $5,000. At that time, the Company concluded that the license and other obligations underlying the exclusive option right held by Novartis represented separate and additional deliverables that Novartis may receive from the Company in future periods. In December 2017, the Company included $5,000 in deferred revenue for the option purchase payment. In March 2018, Novartis decided not to exercise this option.

Accounting under ASC 606

In determining the appropriate amount of revenue to be recognized under ASC 606, the Company performed the following steps: (i) identified the promised goods or services in the contract; (ii) determined whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Under ASC 606, the Company recognized revenue using the cost-to-cost method, which it believes best depicts the transfer of control to the customer. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue will be recorded as a percentage of the estimated transaction price based on the extent of progress towards completion. Under ASC 606, the estimated transaction price will include variable consideration. The Company does not include variable consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will occur when any uncertainty associated with the variable consideration is resolved. The estimate of the Company's measure of progress and estimate of variable consideration to be included in the transaction price will be updated at each reporting date as a change in estimate. The amount related to the unsatisfied portion will be recognized as that portion is satisfied over time.

Under ASC 606 the Company accounts for (i) the license it conveyed with respect to CD73 and (ii) its obligations to perform research on CD73 and other specified targets as a single performance obligation under the collaboration agreement with Novartis. Novartis' right to purchase exclusive options to obtain certain development, manufacturing and commercialization rights are accounted for separately as they do not represent material rights, based on the criteria of ASC 606. Upon the exercise of any purchased option by Novartis, the contract promises associated with an option target would use a separate cost-to-cost model for purposes of revenue recognition under ASC 606.

In February 2018, the Company received an additional milestone payment of $45,000 from Novartis upon Novartis' receipt and acceptance of the first final audited GLP toxicology study report for SRF373. Upon achieving the milestone, the Company concluded this variable consideration associated with this milestone was no longer constrained and included the $45,000 in the transaction price. The Company recognized $24,746 as collaboration revenue – related party in the nine months ended September 30, 2018, based on the ratio of actual costs incurred as of the milestone achievement date to the total estimated costs with respect to performing research on antibodies that bind to CD73 and other specified targets under the Novartis Collaboration. The remaining unrecognized amount of $20,254 is recorded as deferred revenue – related party as of September 30, 2018 and will subsequently be recognized as revenue over the performance period in proportion to the costs incurred under the Novartis Collaboration.

In March 2018, Novartis notified the Company of its decision not to exercise its option related to CD47. The Company recognized the $5,000 exclusive option right payment as collaboration revenue – related party in the first quarter of 2018 because the Company no longer has any remaining performance obligations related to CD47.

In March 2018, the Company and Novartis elected to terminate a specified target under the Novartis Collaboration. Future costs associated with this target were removed from the estimated total costs in the cost-to-cost model.

For the three and nine months ended September 30, 2018 and 2017, the Company recognized the following totals of collaboration revenue – related party:

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	2018	2017	2018	2017
Collaboration revenue - related party	$ 1,730	$ 2,480	$ 49,653	$ 10,347

The following table presents changes in the Company's contract assets and liabilities during the nine months ended September 30, 2018 (in thousands):

	December 31, 2017	Additions	Deductions	September 30, 2018
Contract Liabilities (1)				
Total deferred revenue - related party	$ 82,105	$ 45,000	$ (63,388)	$ 63,717

(1) Additions to contract liabilities relate to consideration from Novartis during the reporting period. Deductions to contract liabilities relate to deferred revenue recognized as revenue during the reporting period and cumulative catch-up adjustment recognized upon adoption of ASC 606 on January 1, 2018.

During the three and nine months ended September 30, 2018, the Company recognized $1,181 and $19,908, respectively, of revenue related to the amounts included in contract liability balance at the beginning of the period. The aggregate amount of the transaction price allocated to the single performance obligation that are partially unsatisfied was $63,717.

The Company considers the total consideration expected to be earned in the next twelve months for services to be performed as current deferred revenue-related party, and consideration that is expected to be earned subsequent to twelve months from the balance sheet date as noncurrent deferred revenue-related party.

6. Redeemable Convertible Preferred Stock

The Company has issued Series A and Series A-1 preferred stock (together, the "Redeemable Convertible Preferred Stock"). The Redeemable Convertible Preferred Stock is classified outside of stockholders' deficit because the shares contain redemption features that are not solely within the control of the Company.

Upon the closing of the Company's initial public offering on April 23, 2018, all shares of the Redeemable Convertible Preferred Stock automatically converted into 16,863,624 shares of common stock.

7. Stockholders' Equity (Deficit)

Common Stock

As of September 30, 2018 and December 31, 2017, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 150,000,000 and 53,000,000 shares, respectively, of $0.0001 par value common stock.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the board of directors, if any, subject to the preferential dividend rights of the Redeemable Convertible Preferred Stock. When dividends are declared on shares of common stock, the Company must declare at the same time a dividend payable to the holders of Redeemable Convertible Preferred Stock equivalent to the dividend amount they would receive if each preferred share were converted into common stock. The Company may not pay dividends to common stockholders until all dividends accrued or declared but unpaid on the Redeemable Convertible Preferred Stock have been paid in full. No dividends have been declared or paid by the Company through September 30, 2018.

As of September 30, 2018 and December 31, 2017, the Company had reserved 6,248,589 and 20,703,575 shares, respectively, of common stock for the conversion of the outstanding shares of Redeemable Convertible Preferred Stock, the exercise of outstanding stock options and the number of shares remaining available for future grant under the Company's 2014 Stock Incentive Plan and 2018 Stock Option and Incentive Plan.

On April 23, 2018, the Company completed its initial public offering of its common stock by issuing 7,200,000 shares of common stock, at $15.00 per share for gross proceeds of $108,000, or net proceeds of $97,209. Concurrent with the initial public offering, the Company issued Novartis 766,666 shares of its common stock at $15.00 per share for proceeds of $11,500, in a private placement.

8. Stock-Based Awards

2014 Stock Incentive Plan

The Company's 2014 Stock Incentive Plan (the "2014 Plan") provides for the Company to grant incentive stock options or nonqualified stock options, restricted stock awards, unrestricted stock awards or restricted stock units to employees, directors and consultants of the Company. The 2014 Plan is administered by the board of directors, or at the discretion of the board of directors, by a committee of the board of directors. The exercise prices, vesting and other restrictions are determined at the discretion of the board of directors, or their committee if so delegated, except that the exercise price per share of the stock options may not be less than 100% of the fair market value of a share of the Company's common stock on the date of grant and the term of the stock options may not be greater than ten years.

The total number of shares of common stock that may be issued under the 2014 Plan was 4,489,839 shares as of December 31, 2017. On February 12, 2018, the Company effected an increase in the total number of shares of the Company's common stock reserved for issuance under the 2014 Plan from 4,489,839 shares to 4,498,930 shares. On March 2, 2018, the Company effected an increase in the total number of shares of the Company's common stock reserved for issuance under the 2014 Plan from 4,498,930 shares to 5,089,839 shares. On March 9, 2018, the Company effected an increase in the total number of shares of the Company's common stock reserved for issuance under the 2014 Plan from 5,089,839 shares to 5,203,730 shares.

As of September 30, 2018 all remaining shares available under the 2014 Plan were transferred to the 2018 Plan. As of December 31, 2017, 733,060 shares were available for future issuance under the 2014 Plan.

2018 Stock Option and Incentive Plan

On April 3, 2018, the Company's stockholders approved the 2018 Stock Option and Incentive Plan (the "2018 Plan"), which became effective on April 18, 2018, the date on which the registration statement for the Company's initial public offering was declared effective. The 2018 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock units, restricted stock awards, unrestricted stock awards, cash-based awards and dividend equivalent rights to the Company's officers, employees, non-employee directors and other key persons (including consultants). The number of shares initially reserved for issuance under the 2018 Plan is 1,545,454, plus the shares of common stock remaining available for issuance under the 2014 Plan, which shall be cumulatively increased on January 1, 2019 and each January 1 thereafter by 4% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31 or such lesser number of shares determined by the Company's board of directors or compensation committee of the board of directors. The shares of common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of stock, expire or are otherwise terminated (other than by exercise) under the 2018 Plan and the 2014 Plan will be added back to the shares of common stock available for issuance under the 2018 Plan.

As of September 30, 2018 1,482,730 shares were available for future issuance under the 2018 Plan.

Stock options granted under the 2014 Plan and 2018 Plan to employees generally vest over four years and expire after ten years.

Stock Options

The following table summarizes the Company's stock option activity since January 1, 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2017	3,106,891	$ 3.68	8.69	$ 14,361
Granted	1,723,048	11.28		
Exercised	(107,508)	1.70		
Forfeited	(213,390)	5.46		
Outstanding as of September 30, 2018	4,509,041	$ 6.54	8.25	$ 18,775
Options exercisable at September 30, 2018	1,663,869	$ 3.91	7.08	$ 10,683

The weighted average grant-date fair value per share of stock options granted during the nine months ended September 30, 2018 and December 31, 2017 was $7.48 and $3.72, respectively.

As of September 30, 2018 and December 31, 2017, there were outstanding stock options held by non-employees for the purchase of 493,964 and 369,645 shares of common stock, respectively, with service-based vesting conditions.

2018 Employee Stock Purchase Plan

On April 3, 2018, the Company's stockholders approved the 2018 Employee Stock Purchase Plan (the "ESPP"), which became effective on April 18, 2018, the date on which the registration statement for the Company's initial public offering was declared effective. A total of 256,818 shares of common stock were reserved for issuance under this plan. In addition, the number of shares of common stock that may be issued under the ESPP will automatically increase on January 1, 2019, and each January 1 thereafter through January 1, 2028, by the lesser of (i) 1% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31 and (ii) such lesser number of shares as determined by the administrator of the Company's ESPP.

Stock-Based Compensation

The Company recorded stock-based compensation expense related to stock options and restricted stock awards in the following expense categories of its statements of operations and comprehensive income (loss):

	Nine months ended September 30,	
	2018	2017
Research and development expenses	$ 2,111	$ 1,434
General and administrative expenses	1,884	2,602
	$ 3,995	$ 4,036

As of September 30, 2018, the Company had an aggregate of $15,174 of unrecognized stock-based compensation cost, which is expected to be recognized over a weighted average period of 3.07 years.

9. Net Loss per Share

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

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	2018	2017	2018	2017
Basic and diluted net loss per share attributable to common stockholders:				
Numerator:				
Net loss	$ (17,222)	$ (14,405)	$ (1,862)	$ (29,604)
Accretion of redeemable convertible preferred stock to redemption value	—	(10)	(11)	(30)
Net loss attributable to common stockholders	$ (17,222)	$ (14,415)	$ (1,873)	$ (29,634)
Denominator:				
Weighted average commons shares outstanding—basic and diluted	27,598,251	2,506,150	17,398,249	2,446,156
Net loss per share attributable to common stockholders—basic and diluted	$ (0.62)	$ (5.75)	$ (0.11)	$ (12.11)

The Company's potential dilutive securities have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated above because including them would have had an anti-dilutive effect:

	September 30,	
	2018	2017
Redeemable convertible preferred shares (as converted to common stock)	—	16,863,624
Stock options to purchase common stock	4,509,041	3,121,147
	4,509,041	19,984,771

10. Income Taxes

During the three and nine months ended September 30, 2018, the Company recorded no provision from income taxes because the Company is forecasting a loss for the year ended December 31, 2018.

During the three and nine months ended September 30, 2017, the Company recorded an income tax provision of $341 and $719, respectively, which was primarily due to the federal and state income tax treatment of the payments received under the Novartis Collaboration.

Prepaid income taxes of $923 and $6,657 at September 30, 2018 and December 31, 2017, respectively, were included in prepaid expenses and other current assets on the condensed consolidated balance sheet and consist primarily of amounts receivable under a refund claim filed with the state authorities as well as amounts paid to the Internal Revenue Service that will be applied to income taxes due in the future.

The Company's preliminary estimate of the Tax Cuts and Jobs Act of 2017, or TCJA, and the remeasurement of its deferred tax assets and liabilities is subject to the finalization of management's analysis related to certain matters, such as developing interpretations of the provisions of the TCJA, changes to certain estimates and the filing of the Company's tax returns. U.S. Treasury regulations, administrative interpretations or court decisions interpreting the TCJA may require further adjustments and changes in its estimates. The final determination of the TCJA and the remeasurement of the Company's deferred assets and liabilities will be completed as additional information becomes available, but no later than one year from the enactment of the TCJA. For the nine months ended September 30, 2018, there were no changes to management's analysis originally performed as of December 31, 2017.

11. Commitments and Contingencies

Legal Proceedings

The Company is not currently party to any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs related to its legal proceedings.

Lease Amendment

In May 2018, the Company executed an amendment to lease an additional 33,529 square feet for a term of 10 years at 50 Hampshire Street that is intended to support its continued growth. The original lease term was extended to co-terminate with the additional space. The Company will pay annual rent of $71.00 per rentable square foot for the first year, with increases of $1.00 per rentable square foot for the remainder of the term. The additional space will be available for occupancy in 2020.

12. Related Party Transactions

Research Agreement with Vaccinex, Inc.

On November 30, 2017, the Company entered into an agreement with Vaccinex, Inc. ("Vaccinex") whereby Vaccinex will use its technology to assist the Company with identifying and selecting experimental human monoclonal antibodies against targets selected by the Company. The Company's Chief Executive Officer is a member of the board of directors of Vaccinex. During the three and nine months ended September 30, 2018, the Company incurred an expense payable to Vaccinex for $66 and $199, respectively, as a technology access fee upon entering into the agreement and project initiation expenses. No amounts were due by the Company to Vaccinex as of December 31, 2017.

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 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, 2017 included in our final prospectus for our initial public offering of our common stock filed with the Securities and Exchange Commission or SEC pursuant to Rule 424(b)(4) of the Securities Act on April 19, 2018, which we refer to as the Prospectus.

Overview

We are a clinical-stage immuno-oncology company focused on using our specialized knowledge of the biological pathways critical to the immunosuppressive tumor microenvironment, or the TME, for the development of next-generation cancer therapies. While first-generation immuno-oncology therapies, such as checkpoint inhibitors, are a remarkable therapeutic advancement, we believe most patients do not achieve durable clinical benefit primarily because these therapies focus on only one element of the complex and interconnected immunosuppressive TME. We believe there is a significant opportunity to more broadly engage the body's immune system, in a multi-faceted, coordinated and personalized approach, to meaningfully improve cure rates for patients with a variety of cancers.

We believe ours to be a more comprehensive approach, engaging both the innate and adaptive arms of the immune system. We develop a deep understanding of the biology of key components of the TME, leverage this understanding to define optimal therapeutic targets and the patients most likely to benefit, and develop novel antibody therapeutics with differentiated biologic activity. By utilizing our specialized knowledge and expertise in immunology, oncology, antibody selection and characterization, and translational research, we have developed a broad pipeline of clinical and preclinical TME-focused programs. We believe our portfolio represents the next generation of immuno-oncology therapies. In January 2016, we entered into a strategic collaboration with Novartis to leverage our combined expertise and resources to develop novel immunotherapies targeting the TME.

Our lead product candidate, SRF231, targets a protein called cluster of differentiation, or CD, 47. We initiated a Phase 1 clinical trial of SRF231 in February 2018, and expect to report initial clinical results from this trial in the first half of 2019. In June 2018, a Phase 1 trial of SRF373/NZV930, a fully human antibody targeting CD73, was initiated by Novartis, marking the second of Surface's immunotherapies to advance into the clinic this year. SRF373/NZV930 has been exclusively licensed on a worldwide basis to Novartis. Additionally, development candidates have been identified for our CD39 and interleukin 27, or IL-27, programs, SRF617 and SRF388, respectively, and IND-enabling studies are ongoing.

On April 23, 2018, we completed an initial public offering of our common stock by issuing 7.2 million shares of our common stock, at $15.00 per share for gross proceeds of $108.0 million, or net proceeds of $97.2 million. Concurrent with the initial public offering, we issued to Novartis Institutes for BioMedical Research, Inc., or Novartis, 766,666 shares of our common stock at $15.00 per share for proceeds of $11.5 million in a private placement.

We were incorporated and commenced principal operations in 2014. We have devoted substantially all of our resources to developing our programs, including SRF231 and SRF373, building our intellectual property portfolio, business planning, raising capital and providing general and administrative support for these operations. To date, we have financed our operations with proceeds from the sales of preferred stock and payments received under a collaboration agreement, or the Collaboration Agreement, with Novartis. Through September 30, 2018, we had received gross proceeds of $48.6 million from our sales of preferred stock and $150.0 million from the Collaboration Agreement. As of September 30, 2018, we had cash, cash equivalents and marketable securities of $173.4 million.

Since our inception, we have incurred significant losses. Our ability to generate product revenue sufficient to achieve profitability will depend on the successful development and eventual commercialization of one or more of the product candidates we develop. Our net loss was $17.2 million and $1.9 million, respectively for the three and nine months ended September 30, 2018. Our net loss was $14.4 million and $29.6 million, respectively, for the three and nine months ended September 30, 2017. As of September 30, 2018, we had an accumulated deficit of $62.1 million. We expect to generate a net loss for the year ending December 31, 2018 and will continue to incur significant expenses and increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially, particularly as we:

- pursue the clinical development of product candidates;
- leverage our programs to advance product candidates into preclinical and clinical development;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- hire additional clinical, quality control and scientific personnel;
- expand our operational, financial and management systems and increase personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a public company;
- maintain, expand and protect our intellectual property portfolio;
- establish a sales, marketing, medical affairs and distribution infrastructure to commercialize any products for which we may obtain marketing approval and intend to commercialize on our own or jointly with a commercial partner;

- acquire or in-license other product candidates and technologies; and
- incur additional costs associated with operating as a public company.

As a result, we will need additional financing 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 or debt financings or other sources, which may include collaborations with third parties. We may be unable to raise additional funds or enter into other agreements or arrangements when needed on favorable terms, or 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 one or more of our 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 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.

We believe that our existing cash, cash equivalents and marketable securities as of November 13, 2018 will enable us to fund our operating expenses and capital expenditure requirements for at least the next 24 months. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect.

Components of Our Results of Operations

Revenue

To date, we have not generated any revenue from product sales and do not expect to do so in the near future. All of our revenue to date has been derived from the Collaboration Agreement. If our development efforts for our programs are successful and result in regulatory approval or additional license or collaboration agreements with third parties, we may generate revenue in the future from a combination of product sales or payments from additional collaboration or license agreements that we may enter into with third parties. We expect that our revenue for the next several years will be derived primarily from the Collaboration Agreement as well as any additional collaborations that we may enter into in the future.

Collaboration Agreement with Novartis

In January 2016, we entered into the Collaboration Agreement to develop next-generation cancer therapies. Under the Collaboration Agreement, as amended, we are responsible for performing research on antibodies that bind to CD73 and four other specified targets. We are responsible for all costs and expenses incurred by or on behalf of us in connection with the research. Novartis also has the right, but not the obligation, to conduct research at its own cost on antibodies that bind to CD73 in accordance with the agreement.

Pursuant to the Collaboration Agreement, we granted Novartis a worldwide exclusive license to research, develop, manufacture and commercialize antibodies that target CD73, along with the right to purchase exclusive option rights, each an Option, for up to four specified targets, each an Option Target, to obtain certain development, manufacturing and commercialization rights. If Novartis purchases an Option, following receipt of the IND acceptance for a candidate with respect to the applicable Option Target, Novartis will be entitled to exercise the Option for such Option Target. Pursuant to the Collaboration Agreement, Novartis initially had the right to exercise up to three purchased Options. In March 2018, Novartis notified us of its decision to not exercise its previously purchased Option for SRF231, our CD47 product candidate. In March 2018, we and Novartis also mutually agreed to cease development of one of the undisclosed programs subject to the Collaboration Agreement. As a result, Novartis has two Options remaining eligible for purchase, both of which can be exercised.

At the time we entered into the Collaboration Agreement in January 2016, Novartis made an upfront payment to us of $70.0 million. Under the Collaboration Agreement, Novartis will also pay us a fee to purchase each Option for each Option Target and another fee to exercise an Option. As of September 30, 2018, we had received $5.0 million in option purchase payments and we are currently entitled to an aggregate of up to $67.5 million of potential option purchase and option exercise payments. We are also eligible to receive payments on a target-by-target basis upon the achievement of specified development and sales milestones and tiered royalties on annual net sales by Novartis of licensed products ranging from high single-digit to mid-teens percentages upon successful commercialization of any products. Under the Collaboration Agreement, we are currently entitled to potential option purchase, option exercise and milestone payments aggregating up to $1.17 billion, of which $80.0 million had been received as of September 30, 2018. Such amount of potential option purchase, option exercise and milestone payments assumes that Novartis purchases, and exercises both of the remaining Options available to it pursuant to the Collaboration Agreement as well as the successful clinical development of and achievement of all sales milestones for all targets covered by the Collaboration Agreement. In addition, we are required to pay Novartis tiered royalties on annual net sales by us of regional licensed products in the United States ranging from high single-digit to mid-teens percentages. The royalty payments are subject to reduction under specified conditions set forth in the Collaboration Agreement. In January 2016, Novartis also purchased $13.5 million of our Series A-1 preferred stock. The equity investment was made at fair value, and we determined it to be distinct from the Collaboration Agreement.

Under ASC 606 we account for (i) the license conveyed with respect to CD73 and (ii) our obligations to perform research on CD73 and other specified targets as a single performance obligation under the Collaboration Agreement. We recognize revenue using the cost-to-cost method, which we believe best depicts the transfer of control to the customer. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recorded as a percentage of the estimated transaction price based on the extent of progress towards completion.

In February 2018, we received an additional milestone payment of $45.0 million from Novartis upon Novartis' receipt of the first final audited GLP toxicology study report for SRF373. Upon achieving the milestone, we concluded this variable consideration was no longer constrained and included this amount in the transaction price. We recognized $24.7 million as collaboration revenue – related party in the nine months ended September 30, 2018, based on the ratio of our actual costs incurred as of the milestone achievement date to our total estimated costs with respect to performing research on antibodies that bind to CD73 and other specified targets under the Collaboration Agreement. The remaining unrecognized amount of $20.3 million is recorded as deferred revenue as of September 30, 2018, and will subsequently be recognized as revenue over the performance period in proportion to the costs incurred by us under the Collaboration Agreement.

In March 2018, Novartis notified us of its decision not to exercise its option related to CD47. We recognized the $5.0 million exclusive option right payment as collaboration revenue – related party in the first quarter of 2018 because we no longer have any remaining performance obligations related to CD47. Through September 30, 2018, we had received an aggregate of $150.0 million from Novartis in upfront payments, milestone payments and option purchase payments.

In October 2018, we amended the Novartis Collaboration to modify certain definitions and provisions within the Novartis Collaboration to make them consistent with the amended and restated development and option agreement we entered into with Adimab LLC in October 2018, and to clarify the parties' rights and responsibilities relating to the amended agreement with Adimab LLC and diagnostic products. See Item 5 of this Quarterly Report on Form 10-Q for more information on the amended and restated development and option agreement.

During the three and nine months ended September 30, 2018 we recognized revenue of $1.7 million and $49.7 million, respectively, related to the Collaboration Agreement. During the three and nine months ended September 30, 2017 we recognized revenue of $2.5 million and $10.3 million, respectively, related to the Collaboration Agreement.

Operating Expenses

Research and Development Expenses

Research and development expenses are expensed as incurred and consist of costs incurred for our research activities, including our discovery efforts, and the development of our programs. These expenses include:

- salaries, benefits and other related costs, including stock-based compensation, for personnel engaged in research and development functions;
- expenses incurred in connection with the preclinical development of our programs and clinical trials of our product candidates, including under agreements with third parties, such as consultants and contractors and contract research organizations, or CROs;
- the cost of manufacturing drug products for use in our preclinical studies and clinical trials, including under agreements with third parties, such as consultants and contractors and contract manufacturing organizations, or CMOs;
- laboratory supplies;
- facilities, depreciation and other expenses, which include direct and allocated expenses for depreciation and amortization, rent and maintenance of facilities, insurance and supplies; and
- third-party license fees.

We do not track our internal research and development expenses on a program-by-program basis as they primarily relate to personnel, early research and consumable costs, which are deployed across multiple projects under development. These costs are included in unallocated research and development expenses in the table below. A portion of our research and development costs are external costs, which we do track on a program-by-program basis.

The following table summarizes our research and development expenses by program:

	Three months September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
SRF231	$ 7,583	$ 5,645	$ 18,500	$ 13,646
SRF373	944	582	956	2,291
SRF388	582	622	2,365	1,761
SRF617	1,038	82	3,203	638
Other early-stage programs	1,124	1,006	2,759	1,673
Unallocated research and discovery expenses	4,512	4,164	14,188	11,492
Total research and development expenses	$ 15,783	$ 12,101	$ 41,971	$ 31,501

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. As a result, we expect our research and development expenses to increase over the next several years as we initiate clinical trials and pursue later stages of development of SRF231 and SRF388, initiate clinical trials for the product candidates we develop and continue to discover and develop additional product candidates.

At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of any of our product candidates that we develop from our programs. We are also unable to predict when, if ever, net cash inflows will commence from sales of product candidates we develop. This is due to the numerous risks and uncertainties associated with developing product candidates, including the uncertainty of:

- successful completion of clinical trials and preclinical studies;
- sufficiency of our financial and other resources to complete the necessary clinical trials and preclinical studies;
- acceptance of INDs for our planned clinical trials or future clinical trials;
- successful enrollment and completion of clinical trials;
- successful data from our clinical program that supports an acceptable risk-benefit profile of our product candidates in the intended populations;
- receipt of regulatory and marketing approvals from applicable regulatory authorities;
- receipt and maintenance of marketing approvals from applicable regulatory authorities;
- establishing agreements with third-party manufacturers for clinical supply for our clinical trials and commercial manufacturing, if any of our product candidates are approved;
- entry into collaborations to further the development of our product candidates;
- obtaining and maintaining patent and trade secret protection or regulatory exclusivity for our product candidates;
- successfully launching commercial sales of our product candidates, if and when approved;
- acceptance of our product candidates' benefits and uses, if and when approved, by patients, the medical community and third-party payors;
- maintaining a continued acceptable safety profile of the product candidates following approval;
- effectively competing with other therapies; and
- obtaining and maintaining healthcare coverage and adequate reimbursement from third-party payors.

A change in the outcome of any of these variables with respect to the development of any of our programs or any product candidate we develop would significantly change the costs, timing and viability associated with the development of such program or product candidate.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and personnel-related costs, including stock-based compensation, for our personnel in executive, legal, finance and accounting, human resources and other administrative functions. General and administrative expenses also include legal fees relating to patent and corporate matters; professional fees paid for accounting, auditing, consulting and tax services; insurance costs; travel expenses; and facility costs not otherwise included in research and development expenses.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research activities and development of our programs. We also anticipate that we will incur increased accounting, audit, legal, regulatory, compliance, and director and officer insurance costs, as well as investor and public relations expenses, associated with operating as a public company.

Interest and Other Income (Expense), Net

Interest and other income consists primarily of interest earned on our cash, cash equivalents and marketable securities. We expect our interest income to increase slightly in the future due to investing the net cash proceeds from the initial public offering completed in April 2018.

Results of Operations

Comparison of Three Months Ended September 30, 2018 and 2017

The following table summarizes our results of operations for the three months ended September 30, 2018 and 2017, along with the changes in those items:

	Three months September 30,		
	2018	2017	Change
	(in thousands)		
Collaboration revenue - related party	$ 1,730	$ 2,480	$ (750)
Operating expenses:			
Research and development	15,783	12,101	3,682
General and administrative	3,977	4,651	(674)
Total operating expenses	19,760	16,752	3,008
Loss from operations	(18,030)	(14,272)	(3,758)
Interest and other income (expense), net	808	208	600
Net loss before income taxes	(17,222)	(14,064)	(3,158)
Provision for income taxes	—	(341)	341
Net loss	$ (17,222)	$ (14,405)	$ (2,817)

Collaboration Revenue

Collaboration revenue was $1.7 million and $2.5 million for the three months ended September 30, 2018 and 2017, respectively, all of which was derived from the Collaboration Agreement. The decrease in collaboration revenue-related party during the quarter ended September 30, 2018 was primarily due to the changes in our revenue recognition method which we adopted on January 1, 2018.

Research and Development Expenses

	Three months ended September 30,		
	2018	2017	Change
		(in thousands)	
Direct research and development expenses by program:			
SRF231	$ 7,583	$ 5,645	$ 1,938
SRF373	944	582	362
SRF388	582	622	(40)
SRF617	1,038	82	956
Other early-stage programs	1,124	1,006	118
Research and discovery and unallocated expenses:			
Personnel related (including stock-based compensation)	3,136	2,770	366
Facility related and other	1,376	1,394	(18)
Total research and development expenses	$ 15,783	$ 12,101	$ 3,682

Research and development expenses were $15.8 million for the three months ended September 30, 2018, compared to $12.1 million for the three months ended September 30, 2017. The increase of $3.7 million was primarily due to increases of $1.9 million in external costs for our SRF231 program, $1.0 million in external costs for our SRF617 program, $0.4 million in external costs for our SRF373, $0.1 million in our early-stage programs and $0.3 million for research and discovery and unallocated costs.

The increase in research and development expenses for our SRF231 program was primarily due to the commencement of clinical studies and continuing contract manufacturing work.

The increase in research and development expenses for our SRF617 program was primarily due to the commencement of contract manufacturing work.

The increase in research and discovery and unallocated expenses was primarily due to increases of $0.4 million in personnel-related costs due to increased headcount.

The increase in research and development expenses for our SRF373 program was due to a milestone payment on a license agreement related to the completion of first patient dosing in July 2018.

General and Administrative Expenses

General and administrative expenses were $4.0 million for the three months ended September 30, 2018, compared to $4.7 million for the three months ended September 30, 2017. The decrease of $0.7 million was primarily due to decreases of $1.0 million in personnel related costs, due to one-time charge related to separation costs for our former chief executive officer during the three months ended September 30, 2017, partially offset by an increase of $0.3 million in facility and other costs.

Interest and Other Income (Expense), Net

Interest and other income was approximately $0.8 million and $0.2 million during the three months ended September 30, 2018 and 2017, respectively, due primarily to interest income on invested balances of our cash, cash equivalents and marketable securities. Increase in interest income was due to investing of the initial public offering proceeds in April 2018.

Comparison of Nine Months Ended September 30, 2018 and 2017

The following table summarizes our results of operations for the nine months ended September 30, 2018 and 2017, along with the changes in those items:

	Nine months ended September 30,		
	2018	2017	Change
	(in thousands)		
Collaboration revenue - related party	$ 49,653	$ 10,347	$ 39,306
Operating expenses:			
Research and development	41,971	31,501	10,470
General and administrative	11,252	8,201	3,051
Total operating expenses	53,223	39,702	13,521
Income (loss) from operations	(3,570)	(29,355)	25,785
Interest and other income (expense), net	1,708	470	1,238
Net income (loss) before income taxes	(1,862)	(28,885)	27,023
Provision for income taxes	—	(719)	719
Net income (loss)	$ (1,862)	$ (29,604)	$ 27,742

Collaboration Revenue

Collaboration revenue was $49.7 million and $10.3 million for the nine months ended September 30, 2018 and 2017, respectively, all of which was derived from the Collaboration Agreement. The increase in collaboration revenue-related party during the nine months ended September 30, 2018 was primarily due to the partial recognition of $24.7 million in revenue related to a milestone payment of $45.0 million that we received in February 2018 from Novartis upon Novartis' receipt and acceptance of the first final audited GLP toxicology study report for SRF373. The remaining unrecognized amount will subsequently be recognized as revenue over the performance period in proportion to the costs incurred by us under the Collaboration Agreement.

Research and Development Expenses

	Nine months ended September 30,		
	2018	2017	Change
	(in thousands)		
Direct research and development expenses by program:			
SRF231	$ 18,500	$ 13,646	$ 4,854
SRF373	956	2,291	(1,335)
SRF388	2,365	1,761	604
SRF617	3,203	638	2,565
Other early-stage programs	2,759	1,673	1,086
Research and discovery and unallocated expenses:			
Personnel related (including stock-based compensation)	10,106	7,327	2,779
Facility related and other	4,082	4,165	(83)
Total research and development expenses	$ 41,971	$ 31,501	$ 10,470

Research and development expenses were $42.0 million for the nine months ended September 30, 2018, compared to $31.5 million for the nine months ended September 30, 2017. The increase of $10.5 million was primarily due to increases of $4.9 million in external costs for our SRF231 program, $2.6 million for our SRF617 program, $0.6 million for the SRF388 program, $1.1 million in our early-stage programs and $2.7 million for research and discovery and unallocated costs, partially offset by reductions of $1.3 million in external costs for our SRF373 program.

The increase in research and development expenses for our SRF231 program was primarily due to the commencement of clinical studies and continuing contract manufacturing work.

The increase in research and development expenses for our SRF388 program was primarily due to payment made for an exclusive license to the antibodies related to this program.

The increase in research and development expenses for our SRF617 program was primarily due to the commencement of contract manufacturing work.

The increase in research and development expenses for our other early-stage programs was primarily due to advancement and initiation of new early discovery programs.

The increase in research and discovery and unallocated expenses was primarily due to increases of $2.8 million in personnel-related costs due to increased headcount, offset partially $0.1 million in decreased facility and laboratory costs.

The decreases in research and development expenses for our SRF373 program was due to the completion of IND-enabling activities during 2017 and Novartis taking over the program development.

General and Administrative Expenses

General and administrative expenses were $11.3 million for the nine months ended September 30, 2018, compared to $8.2 million for the nine months ended September 30, 2017. The increase of $3.1 million was primarily due to increases of $1.3 million in personnel-related costs as a result of an increase in headcount; an increase of $1.0 million for professional fees related to legal and accounting services; and an increase of $0.8 million in facility costs and other expenses related to our new corporate headquarters.

Interest and Other Income (Expense), Net

Interest and other income was approximately $1.7 million and $0.5 million during the nine months ended September 30, 2018 and 2017, respectively, due primarily to interest income on invested balances of our cash, cash equivalents and marketable securities. Increase in interest income was due to investing of the initial public offering proceeds in April 2018.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. We have generated limited revenue to date from the Collaboration Agreement. We have not yet commercialized any product and we do not expect to generate revenue from sales of any products for several years, if at all. To date, we have financed our operations with proceeds from the sales of preferred stock and payments received under the Collaboration Agreement and proceeds from our initial public offering of common stock. Through September 30, 2018, we had received gross proceeds of $48.6 million from our sales of preferred stock and $150.0 million from the Collaboration Agreement. As of September 30, 2018, we had cash, cash equivalents and marketable securities of $173.4 million.

On April 23, 2018, we completed an initial public offering of our common stock by issuing 7.2 million shares of common stock, at $15.00 per share for gross proceeds of $108.0 million, or net proceeds of $97.2 million. Concurrent with the initial public offering, we issued Novartis 766,666 shares of our common stock at $15.00 per share for proceeds of $11.5 million, in a private placement.

Future Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing activities, in particular as we continue to advance our product candidates and our discovery programs and conduct research under the Collaboration Agreement. In addition, we expect to continue to incur additional costs associated with operating as a public company.

We believe that our existing cash, cash equivalents and marketable securities as of November 13, 2018, will enable us to fund our operating expenses and capital expenditure requirements for at least the next 24 months. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our capital resources sooner than we expect.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical product candidates, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many factors, including:

- completing clinical development of existing product candidates and programs, identifying new product candidates and completing preclinical and clinical development of such product candidates;
- seeking and obtaining marketing approvals for any product candidates that we develop;
- launching and commercializing product candidates for which we obtain marketing approval by establishing a sales force, marketing, medical affairs and distribution infrastructure or, alternatively, collaborating with a commercialization partner;
- achieving adequate coverage and reimbursement by hospitals, government and third-party payors for product candidates that we develop;
- 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 market demand for product candidates that we develop, if approved;

- obtaining market acceptance of product candidates that we develop as viable treatment options;
- 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 in such collaborations;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how;
- defending against third-party interference or infringement claims, if any; and
- attracting, hiring and retaining qualified personnel.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Further, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans.

In addition to the variables described above, if and when any product candidate we develop successfully completes development, we will incur substantial additional costs associated with regulatory filings, marketing approval, post-marketing requirements, maintaining our intellectual property rights, and regulatory protection, in addition to other costs. We cannot reasonably estimate these costs at this time.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements, including the Collaboration Agreement. We currently have no credit facility or committed sources of capital. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interests of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through the issuance of debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts. Additional capital may not be available on reasonable terms, or at all. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate development or future commercialization efforts.

Cash Flows

The following table summarizes information regarding our cash flows for each of the periods presented:

	Nine months ended September 30,	
	2018	2017
	(in thousands)	
Net cash provided by (used in):		
Operating activities	$ 720	$ 2,044
Investing activities	(91,562)	19,495
Financing activities	110,092	(214)
Net increase in cash and cash equivalents and restricted cash	$ 19,250	$ 21,325

Operating Activities

During the nine months ended September 30, 2018, net cash provided by operating activities was $0.7 million, primarily due to non-cash charges of $4.8 million partially offset by net cash used by our net loss of $1.9 million and changes in our operating assets and liabilities of $2.2 million. Net cash used by changes in our operating assets and liabilities for the nine months ended September 30, 2018 consisted primarily of a $2.0 million decrease in accrued expenses and other current liabilities, a $4.7 million decrease in deferred revenue-related party, and an increase in $3.4 million increase in prepaid expenses and other current assets. The decrease in accrued expenses and other current liabilities was primarily due to payments of manufacturing costs incurred to support ongoing clinical trial activities, payment to Novartis for balances due and the decrease in accounts payable was due to timing of invoices for manufacturing expenses.

During nine months ended September 30, 2017, net cash provided by operating activities was $2.0 million, primarily resulting from net cash provided by changes in our operating assets and liabilities of $29.7 million and net non-cash charges of $2.0 million offset by our net loss of $29.6 million. Net cash provided by changes in our operating assets and liabilities for the nine months ended September 30, 2017 consisted primarily of a $5.0 million decrease in amounts due from Novartis, a related party, increase of $19.7 million in deferred revenue – related party, increase of $2.5 million in accrued expenses and other current liabilities and $1.0 million in accounts payable. The increase in accrued expenses and accounts payable was due to timing of invoices for clinical manufacturing costs.

Investing Activities

During the nine months ended September 30, 2018, net cash used by investing activities was $91.6 million, primarily due to purchases of marketable securities of $107.3 million and $0.9 million of purchases of property and equipment, partially offset by $16.6 million of proceeds from sales or maturities of marketable securities.

During the nine months ended September 30, 2017, net cash provided by investing activities was $19.5 million, consisting primarily of $20.9 million in proceeds from sales or maturities of marketable securities partially offset by $1.4 million of purchases of property and equipment, primarily related to leasehold improvements in our corporate headquarters facility.

Financing Activities

During the nine months ended September 30, 2018, net cash provided by financing activities was $110.1 million consisting primarily of $100.4 million net proceeds received upon the completion of the initial public offering in April 2018, $11.5 million from a private placement of common stock with Novartis, a related party and $0.2 million of proceeds received from the exercise of stock options, partially offset by $2.0 million paid for initial public offering costs.

During the nine months ended September 30, 2017, there was no material financing activity.

Contractual Obligations

We have entered into agreements in the normal course of business with CROs for clinical trials and clinical supply manufacturing and with vendors for preclinical research studies and other services and products for operating purposes. These contractual obligations are cancelable at any time by us, generally upon prior written notice to the vendor.

During the nine months ended September 30, 2018, there were no material changes, other than the item mentioned below, to our contractual obligations and commitments from those described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments" in our final prospectus for our initial public offering of our common stock filed with the SEC pursuant to Rule 424(b)(4) of the Securities Act on April 19, 2018.

Lease Amendment

In May 2018, we executed an amendment to lease an additional 33,526 square feet at 50 Hampshire Street in Cambridge, Massachusetts, with a 10-year term. The original lease term was extended to co-terminate with the additional space. We will pay annual rent of $71.00 per rentable square foot for the first year, with annual increases of $1.00 per rentable square foot for the remainder of the term. The additional space will be ready for occupancy in 2020.

Critical Accounting Policies and Significant Judgments and Estimates

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

Our critical accounting policies and the methodologies and assumptions we apply under them have not materially changed since our final prospectus for our initial public offering of our common stock filed with the Securities and Exchange Commission or SEC pursuant to Rule 424(b)(4) of the Securities Act on April 19, 2018, which we refer to as the Prospectus, except for our adoption of the new revenue standard which is discussed above.

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 under applicable SEC rules.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our condensed consolidated financial statements appearing in this Form 10-Q.

Emerging Growth Company Status

As an "emerging growth company," the Jumpstart Our Business Startups Act of 2012 allows us to delay adoption of new or revised accounting standards applicable to public companies until such standards are made applicable to private companies. However, we have irrevocably elected not to avail ourselves of this extended transition period for complying with new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our cash, cash equivalents and marketable securities as of September 30, 2018 consisted of cash, a money market fund invested primarily in short-term U.S. Treasury obligations, U.S. government agency bonds and corporate bonds. Interest income is sensitive to changes in the general level of interest rates; however, due to the nature of these investments, we do not believe that we have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates.

Item 4. Limitations on Effectiveness of Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and procedures 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, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934). Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2018.

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) has occurred during the nine months ended September 30, 2018 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

In January 2017, we filed an opposition in the European Patent Office opposing the grant of European Patent No. EP 2242512 to Stanford University (the "Stanford Patent"). We are one of seven original parties opposing the grant of the Stanford Patent, which relates generally to CD47 antibodies for use in treating cancer. In August 2018, together with two other opponents, we presented oral arguments to the Opposition Division of the European Patent Office (the "Opposition Division"). The Opposition Division maintained certain claims of the Stanford Patent. The Opposition Division has not yet issued its written opinion outlining the grounds for the decision. Any party may appeal the Opposition Division's decision to the Technical Boards of Appeal at the European Patent Office.

The Opposition Division's decision, if maintained at the appeals level, could have a substantial negative effect on our business and leave open the possibility that Stanford University or other parties that have rights to such patent could assert that SRF231 infringes on the Stanford Patent in a relevant European country. The timing and outcome of any such appeal cannot be predicted or determined as of the date of this report.

We are also aware of various pending divisional applications relating to EP 2242512 that are being pursued. If any of these divisional applications proceed to grant they may also materially impair our ability to commercialize SRF231 in Europe.

From time to time, we may become involved in other litigation or legal proceedings relating to claims arising from the ordinary course of business.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the three months ended June 30, 2018.

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

Recent Sales of Unregistered Equity Securities

None.

Use of Proceeds from Initial Public Offering of Common Stock

On April 23, 2018, we closed our initial public offering of 7,200,000 shares of our common stock at a public offering price of $15.00 per share for an aggregate offering of $108 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to registration statement on Form S-1 (File No. 333-218474), which was declared effective by the SEC on April 18, 2018. Goldman Sachs & Co. LLC, Cowen and Company, LLC and Evercore Group L.L.C. acted as joint book-running managers for the offering. The offering commenced on April 18, 2018 and did not terminate until the sale of all of the shares offered.

We received aggregate net proceeds from the offering of $97.2 million, after deducting underwriting discounts and commissions of $7.6 million and estimated offering expenses of $3.1 million payable by us. Concurrent with the initial public offering, we issued Novartis, 766,666 shares of our common stock at $15.00 per share for proceeds of $11.5 million, in a private placement. None of the underwriting discounts and commissions or offering expenses were incurred or paid to directors or officers of ours or their associates or to persons owning 10% or more of our common stock or to any affiliates of ours.

As of September 30, 2018, we have not used any of the net proceeds from the offering. There has been no material change in our planned use of the net proceeds from the offering as described in our Prospectus dated April 18, 2018.

Purchases of Equity Securities by the Issuer

We repurchased the following shares of our common stock in the periods set forth in the table below:

Period	Total Number of Shares (or Units) Purchased(1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plan or Program	Maximum (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2018 – July 31, 2018	6,774	$ 0.0003	—	—

(1) In July 2018, we repurchased 6,774 shares of common stock, unvested under a restricted stock agreement at the time the agreement was terminated.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

In October 2018, we and Adimab LLC, or Adimab, entered into an amended and restated development and option agreement, or the A&R Adimab Agreement, which amended and restated the development and option agreement with Adimab dated July 2014, as amended, or the Original Adimab Agreement. The A&R Adimab Agreement, among other things, extended the discovery term of the Original Adimab Agreement, provided access to additional antibodies, and expanded our right to evaluate and use antibodies that were modified or derived using Adimab technology for diagnostic purposes. For any Adimab diagnostic product that is used with or in connection with any compound or product other than a licensed antibody or licensed product, we are obligated to pay Adimab up to a low seven digits in regulatory milestone payments and low single-digit royalties on net sales. No additional payment is due with respect to any companion diagnostic or any diagnostic product that does not contain any licensed antibody.

Item 6. Exhibits.

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description
10.1†	Amendment No. 4 to the Collaboration Agreement between Novartis Institutes for BioMedical Research, Inc. and the Registrant, dated October 9, 2018†
10.2†	Amended and Restated Development and Option Agreement between Adimab, LLC and the Registrant, dated October 3, 2018†
31.1	Certification of Principal Executive Officer and 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 and 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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* The certification furnished in Exhibit 32.1 hereto is deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference. Such certification will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

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.

Surface Oncology, Inc.

Date: November 13, 2018

By: /s/ J. Jeffrey Goater

J. Jeffrey Goater
Chief Executive Officer (Principal Executive, Financial and Accounting officer)

Exhibit 10.1

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

CONFIDENTIAL

FOURTH AMENDMENT TO COLLABORATION AGREEMENT

This Fourth Amendment (the "Fourth Amendment") to the Agreement (as defined below), is entered into as of October 9, 2018 (the "Amendment Effective Date"), by and between Surface Oncology, Inc., a corporation organized and existing under the Laws of the State of Delaware ("Surface"), and Novartis Institutes for BioMedical Research, Inc., a corporation organized and existing under the Laws of the State of Delaware ("Novartis").

WHEREAS, Surface and Novartis are parties to that certain Collaboration Agreement dated January 9, 2016, as amended by that certain First Amendment to Collaboration Agreement dated May 6, 2016, that certain Second Amendment to Collaboration Agreement dated July 14, 2017 and that certain Third Amendment to Collaboration Agreement dated September 18, 2017 (the "Agreement");

WHEREAS, Surface has entered into that certain Amended and Restated Development and Option Agreement with Adimab, LLC, dated as of October 4, 2018 (the "A&R Adimab Agreement");

WHEREAS, Surface and Novartis desire to clarify the Parties' respective rights and responsibilities relating to the A&R Adimab Agreement and diagnostic products; and

WHEREAS, Surface and Novartis desire to amend the Agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual provisions and covenants herein, the receipt and sufficiency of which are hereby acknowledged, Surface and Novartis hereby agree as follows:

1. Novartis hereby acknowledges and agrees that Surface was entitled to enter into the A&R Adimab Agreement in accordance with Section 12.4.3, and all references to the "Adimab Agreement" in the Agreement will refer to the A&R Adimab Agreement, as such agreement may be amended, restated or otherwise replaced from time to time to the extent permitted under Section 12.4.3 of the Agreement.

2. Section 9.5.1.1 of the Agreement is hereby amended by appending the following to the end thereof:

   "For each Licensed Target, Surface acknowledges and agrees that Novartis shall not owe any (a) payments to Surface under this Agreement or (b) Third Party Payments to Surface or Adimab under the Adimab Agreement, in each case ((a)-(b)) with respect to the Research, Development, Manufacture or Commercialization of any Adimab Diagnostic Product (as defined in the Adimab Agreement) for such Licensed Target solely for the purposes of Research, Development or Commercialization of therapeutic or prophylactic Licensed Products that Specifically Binds to such Licensed Target in accordance with the terms and conditions of this Agreement."

3. Section 9.5.2 of the Agreement is hereby amended by appending the following to the end thereof: "Novartis hereby acknowledges and agrees that Surface has not granted to Novartis any licenses or rights under the Surface Technology to Research, Develop, Manufacture or Commercialize any Adimab Diagnostic Product (as defined in the Adimab Agreement) for a Licensed Target other than solely for the purposes of Research, Development or Commercialization of therapeutic or prophylactic Licensed Products that Specifically Binds to such Licensed Target in accordance with the terms and conditions of this Agreement."

4. Section 12.5.1.4 of the Agreement is hereby amended by appending the following to the end thereof:

   "[***]."

5. Except as expressly set forth in this Fourth Amendment, all provisions of the Agreement shall remain in full force and effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Surface and Novartis have caused this Fourth Amendment to be executed by their respective authorized representatives as of the Amendment Effective Date.

NOVARTIS INSTITUTES FOR BIOMEDICAL RESEARCH, INC.		**SURFACE ONCOLOGY, INC.**	
BY:	/s/ Scott Brown	BY:	/s/ J. Jeffrey Goater
NAME:	Scott Brown	NAME:	Jeff Goater
TITLE:	General Counsel and Chief Administrative Officer, NIBR	TITLE:	CEO

Exhibit 10.2

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT WERE OMITTED AND REPLACED WITH "[***]". A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO AN APPLICATION REQUESTING CONFIDENTIAL TREATMENT PURSUANT TO RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

Execution Copy
CONFIDENTIAL

FIRST AMENDED AND RESTATED

DEVELOPMENT AND OPTION AGREEMENT

This First Amended and Restated Development and Option Agreement (this "**Agreement**") made effective as of October 3, 2018 (the "**Amended Effective Date**"), is entered into by and between Adimab, LLC, a Delaware limited liability company having an address at 7 Lucent Drive, Lebanon, NH 03766 ("**Adimab**"), and Surface Oncology, Inc., a Delaware corporation having an address at 25 First Street, Suite 303, Cambridge, MA 02141 ("**Surface**").

Background

Whereas, Adimab is a leader in yeast-based, fully human antibody discovery and optimization using its proprietary core technology platform;

Whereas, Surface wishes to discover and optimize certain proprietary antibodies as potential therapeutic product candidates directed against disease-related biological targets to be identified by Surface;

Whereas, the Parties previously entered into that certain Development and Option Agreement, dated as of June 3, 2014, as amended (the "**Original Agreement**" and such date, the "**Effective Date**"), pursuant to which the Parties collaborated to have Adimab discover and optimize antibodies, and Surface obtained a research license to determine the activity of such antibodies and to evaluate such antibodies, as well as an option to a license for commercial rights to certain of the antibodies to each such target for development and commercialization as a pharmaceutical product; and

Whereas, the Parties now desire to amend and restate the Original Agreement in its entirety and replace the Original Agreement with this Agreement to, among other things, expand the right of Surface to evaluate and use antibodies for diagnostic purposes.

Now, Therefore, in consideration of the foregoing premises and the mutual covenants set forth below, and for other good and valuable consideration, the receipt of which is hereby acknowledged, Adimab and Surface hereby agree as follows:

ARTICLE 1

DEFINITIONS.

The following initially capitalized terms have the following meanings (and derivative forms of them shall be interpreted accordingly):

1.1 "**AAA**" has the meaning set forth in Section 10.2(c)(i).

1.2 "**Adimab**" has the meaning set forth in the recitals.

1.3 "**Adimab Diagnostic Product**" means any Licensed Antibody that [***]. For clarity, "Adimab Diagnostic Product" as defined herein (i) includes Companion Diagnostics and (ii) excludes (A) prophylactic or therapeutic Products containing [***] Licensed Antibodies and (B) any Other Diagnostic Product.

1.4 "**Adimab Indemnitees**" has the meaning set forth in Section 8.2.

1.5 "**Adimab Materials**" means any tangible biological or chemical materials (including all [***] and other [***] in the form of tangible biological or chemical materials) provided by Adimab to Surface under the Research Program, [***].

1.6 "**Adimab Platform Patents**" means all Patents [***] the [***] that [***]

1.7 "**Adimab Platform Technology**" means (a) the discovery and optimization of antibodies via methods that include the use of synthetic DNA antibody libraries and engineered strains of yeast, (b) all methods, materials and other Know-How used in the foregoing and (c) platforms embodying, components, component steps and other portions of any of the foregoing in (a) or (b). For clarity, Adimab Platform Technology includes technology used in the discovery, and optimization of any Program Antibody, in each case not based on the specific composition of such Program Antibody (or product containing a Program Antibody), but based instead on the manner in which such Program Antibody was discovered or optimized under a Research Program.

1.8 "**Adimab Platform Technology Improvement**" means all Program Inventions that [***] Adimab Platform Technology, including any and all improvements, enhancements, modifications, substitutions, alternatives or alterations to Adimab Platform Technology.

1.9 "**Adimab Program Inventions**" means all Program Inventions made solely by employees of, or others obligated to assign Program Inventions to, Adimab (or any of its Affiliates).

1.10 "**Affiliate**" means an entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with a Party. For this purpose, "control" means the ownership of fifty percent (50%) or more of the voting securities entitled to elect the directors or management of the entity, or the actual power to elect or direct the management of the entity. Moreover, notwithstanding anything in this Agreement to the contrary, any venture capital fund, private equity fund or other investor who is not primarily an operating biopharmaceutical, pharmaceutical, diagnostics, or medical device research and development and/or marketing company (a "**Non-affiliate Investor**") shall not be considered an Affiliate of a Party, and any person or entity that directly or indirectly controls or is controlled by a Non-affiliate Investor (except for any entity directly or indirectly controlled by a Party, controlling a Party, or under common control with a Party, in each case other than through Non-affiliate Investor(s)) shall not be considered an Affiliate of a Party solely by reason of being controlled by the same Non-affiliate Investors.

1.11 "**Agreement**" has the meaning set forth in the recitals.

1.12 "**Bankruptcy Code**" has the meaning set forth in Section 9.7.

1.13 "**Binding Sequence Information**" has the meaning set forth in Section 1.60.

1.14 "**Change of Control**" means any transaction or series of transactions in which Surface (a) sells, conveys or otherwise disposes of all or substantially all of its property or business to a single entity or set of Affiliated entities; or (b) (i) merges with, consolidates with, acquires or is acquired by any other entity; or (ii) effects any other transaction or series of related transactions; in the case of each of clause (i) and clause (ii), such that the members, stockholders or shareholders of Surface immediately prior thereto, in the aggregate, no longer own, directly or indirectly, at least fifty percent (50%) of the outstanding voting securities or capital stock (including membership interests) of the surviving entity following the closing of such merger, consolidation, other transaction or series of related transactions, other than a capital-raising transaction with a Non-Affiliate Investor.

1.15 "**Combination Product**" means a product containing a Licensed Antibody as well as one or more other active therapeutic ingredient. Notwithstanding the foregoing, [***].

1.16 "**Commercial Option**" has the meaning set forth in Section 3.3(a).

1.17 "**Commercial Option Fee**" has the meaning set forth in Section 4.3.

1.18 "**Commercially Reasonable Efforts**" means the level of efforts required to carry out a task in a diligent and sustained manner without undue interruption, pause or delay; which level is at least commensurate with the level of efforts that a similarly situated biopharmaceutical company would devote to a product of similar potential and having similar commercial and scientific advantages and disadvantages resulting from the company's own research efforts (i.e., explicitly ignoring the royalty, milestone and other payments due Adimab under this Agreement), taking into account safety and efficacy; the competitiveness of alternative products; the proprietary position of the product; pricing and reimbursement; and all other relevant commercial factors.

1.19 "**Companion Diagnostic**" means any Adimab Diagnostic Product used with or in connection with a particular prophylactic or therapeutic Product containing [***] Licensed Antibodies.

1.20 "**Confidential Information**" has the meaning set forth in Section 6.1(a).

1.21 "**Control**" means, with respect to any Know-How or Patent [***] (other than pursuant to this Agreement), of the [***] as provided for in this Agreement without violating the terms of any written agreement with any Third Party.

1.22 "**Controlled Contractor**" has the meaning set forth in Section 2.1(b).

1.23 "**Cover**" means, with respect to a particular item and a particular Patent, that such Patent [***].

1.24 "**Diagnostic Product**" means any Adimab Diagnostic Product or Other Diagnostic Product. For clarity, "Diagnostic Product" as defined herein excludes prophylactic or therapeutic Products containing [***] Licensed Antibodies.

1.25 "**Discovery Term**" means the term beginning on the Effective Date and ending on [***].

1.26 "**Dispute**" has the meaning set forth in Section 10.2(a).

1.27 "**Effective Date**" has the meaning set forth in the recitals.

1.28 "**External Product**" means any compound or product other than (a) a Licensed Antibody or (b) Product containing [***] Licensed Antibodies.

1.29 "**Evaluation Term**" means, with respect to each Target, the time period beginning at the end of the Research Term for such Target and ending [***] thereafter, unless otherwise extended by mutual agreement of the Parties.

1.30 "**Field**" means diagnostic, therapeutic or prophylactic uses in human or other animal disease.

1.31 "**First Commercial Sale**" means, with respect to a Licensed Product in any country, the first sale, transfer or disposition for value or for end use or consumption of such Licensed Product in such country after Marketing Approval for such Licensed Product has been received in such country, but excluding any distribution or other sale solely for so-called treatment investigational new drug sales, named patient sales, compassionate or emergency use sales and pre-license sales.

1.32 "**Force Majeure**" means conditions beyond a Party's reasonable control or ability to plan for, including acts of God, war, terrorism, civil commotion, labor strike or lock-out; epidemic; failure or default of public utilities or common carriers; and destruction of facilities or materials by fire, earthquake, storm or like catastrophe; *provided, however*, the payment of invoices due and owing under this Agreement shall not be excused by reason of a Force Majeure affecting the payor.

1.33 "**FTE**" means the equivalent of a full-time employee's working days over a twelve (12) month period (taking account of normal vacations, sick days and holidays not being considered working days), which equates to a total of [***] hours per twelve (12) month period of work performed by a fully qualified Adimab employee or consultant in a Research Program. To provide an FTE over a given time period that is less than a year means to provide the proportionate share (corresponding to the proportion that such time period bears to a full year) during such time period of a full year's FTE. In no event shall the work over the course of a year of one individual person account for more than one (1) FTE year.

1.34 "**FTE Rate**" means [***] per FTE.

1.35 "**Indemnify**" has the meaning set forth in Section 8.1.

1.36 "**Interest Payment**" has the meaning set forth in Section 4.5.

1.37 "**Joint Inventions**" means any and all Program Inventions made jointly by employees of, or others obligated to assign Program Inventions to, each of Adimab (or any of its Affiliates) and Surface (or any of its Affiliates).

1.38 "**Joint Serendipitous Inventions**" means all Joint Inventions other than those Covered by Program Antibody Patents or constituting Adimab Platform Technology Improvements.

1.39 "**Know-How**" means all technical information and know-how, including (i) inventions, discoveries, trade secrets, data, specifications, instructions, processes, formulae, materials (including cell lines, DNA, vectors, plasmids, nucleic acids and the like), methods, protocols, expertise and any other technology, including the applicability of any of the foregoing to formulations, compositions or products or to their manufacture, development, registration, use or marketing or to methods of assaying or testing them or processes for their manufacture, formulations containing them or compositions incorporating or comprising them, and (ii) all data, instructions, processes, formula, strategies, and expertise, whether biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical, analytical, or otherwise and whether related to safety, quality control, manufacturing or other disciplines.

1.40 "**Licensed Antibodies**" means those Program Antibodies that are selected by Surface pursuant to Section 3.3(a), and any Program-Benefited Antibody generated from such Program Antibodies.

1.41 "**Licensed Research Antibodies**" means those Program Antibodies that are selected by Surface pursuant to Section 3.2(a), and any Program-Benefited Antibody generated from such Program Antibodies.

1.42 "**Licensed Product**" means a Product that [***] Licensed Antibodies, and includes Combination Products containing any one or more Licensed Antibodies or any Adimab Diagnostic Product. [***].

1.43 "**Licensed Program Antibody Patents**" means those Program Antibody Patents that Cover any Licensed Antibodies or Licensed Research Antibodies.

1.44 "**Losses**" has the meaning set forth in Section 8.1.

1.45 "**Major Markets**" means each of the [***].

1.46 "**Marketing Approval**" each means approval to market a Licensed Product legally as a drug or biologic, including approval of a Biologics License Application (as defined in the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and the regulations promulgated thereunder) in the United States, or license, approval, registration, or authorization of a comparable filing in any other jurisdiction, or the clearance, approval, license, registration, or authorization of a comparable filing for medical device, diagnostic or animal use. [***].

1.47 "**Milestone Event**" has the meaning set forth in Section 4.4.

1.48 "**Milestone Payment**" has the meaning set forth in Section 4.4.

1.49 "**Naïve Antibody Library**" has the meaning set forth in Section 2.6(a).

1.50 "**Net Sales**" means [***]

If any Licensed Antibody is sold as part of a Combination Product, the Net Sales for such Licensed Antibody shall be determined by [***]

1.51 "**Non-Affiliate Investor**" has the meaning set forth in Section 1.9.

1.52 "**Optimization Antibody Library**" has the meaning set forth in Section 2.6(a).

1.53 "**Other Diagnostic Product**" means any assay, medical device, product or compound that (a) does not comprise, incorporate, contain or use a Licensed Antibody and (b) [***]. For clarity, "Other Diagnostic Product" as defined herein excludes (A) Adimab Diagnostic Products and (B) prophylactic or therapeutic Products containing Licensed Antibodies.

1.54 "**Party**" means Adimab or Surface.

1.55 "**Patent**" means any patent application or patent anywhere in the world, including all of the following categories of patents and patent applications, and their foreign equivalents: provisional, utility, divisional, continuation, continuation-in-part, and substitution applications; and utility, re-issue, re-examination, renewal and extended patents, and patents of addition, and any Supplementary Protection Certificates, patent extensions, restoration of patent terms and other similar rights.

1.56 "**Permitted Comparison**" has the meaning set forth in Section 1.60.

1.57 "**Product**" means any actual or potential product [***] that [***] Program-Benefited Antibodies [***]. For clarity, it is possible that there will be multiple Products against a single Target.

1.58 "**Program Antibody**" means, with respect to each Target, each antibody [***] under a Research Program for such Target. It is understood and agreed that [***].

1.59 "**Program Antibody Patents**" means, for each Target, Patents that, [***].

1.60 "**Program-Benefited Antibody**" means any Program Antibody or any modified or derivative form of any such Program Antibody that comprises or contains either [***] ("**Binding Sequence Information**"). Notwithstanding the foregoing, an antibody product will not be deemed a Program-Benefited Antibody [***] ("**Permitted Comparisons**").

1.61 "**Program Deliverables**" means, for each Target, the deliverables for a given part of the Research Plan as defined in the Research Plan for such Target.

1.62 "**Program Inventions**" means, for each Target, any invention or Know-How that is [***] in the course of performing or as a result of the activities conducted under a Research Program.

1.63 "**Program Patent**" means, for each Target, any Patent Covering a Program Invention.

1.64 "**Prosecute**" has the meaning set forth in Section 5.4(d)(i).

1.65 "**Research Committee**" has the meaning set forth in Section 2.2(a).

1.66 "**Research License Term**" has the meaning set forth in Section 3.2(b)(i).

1.67 "**Research Option**" has the meaning set forth in Section 3.2(a).

1.68 "**Research Plan**" means the research plan to be agreed upon by the Parties with respect to a Target in accordance with Section 2.1(a) hereof.

1.69 "**Research Program**" means the program of research conducted under this Agreement in accordance with a Research Plan, and, as applicable, all programs of research conducted under this Agreement in accordance with all Research Plans.

1.70 "**Research Term**" means the period beginning on the Effective Date and ending, on a Research Program-by-Research Program basis, when Adimab delivers final antibodies under a Research Plan.

1.71 "**Royalty Term**" means, on a Licensed Product-by-Licensed Product and country-by-country basis, the term ending at the later to occur of (a) the expiration of the last Valid Claim Covering the Licensed Product in the country in which such Licensed Product is manufactured or sold, or (b) ten (10) years after the First Commercial Sale of such Licensed Product in such country.

1.72 "**Senior Executive Discussions**" has the meaning set forth in Section 10.2(a).

1.73 "**Surface**" has the meaning set forth in the recitals.

1.74 "**Surface Indemnitees**" has the meaning set forth in Section 8.1.

1.75 "**Surface Materials**" means (a) any tangible biological or chemical materials (including antigen samples and other Know-How in the form of tangible biological or chemical materials) provided by Surface to Adimab under a Research Program (other than commercial material purchased by Surface and delivered to Adimab), and (b) from and after the time of the Commercial Option exercise for a Target, the quantities of Licensed Antibody to such Target (and DNA encoding that Licensed Antibody) provided to Surface by Adimab under this Agreement.

1.76 "**Surface Program Inventions**" means all Program Inventions made solely by employees of, or others obligated to assign Program Inventions to, Surface (or any of its Affiliates).

1.77 "**Target**" means a target selected by Surface pursuant to Section 2.1(a).

1.78 "**Target Questionnaire**" means the form of target questionnaire attached hereto as Exhibit A.

1.79 "**Third Party**" means an entity other than a Party or the Affiliate of a Party.

1.80 "**Third Party Claims**" has the meaning set forth in Section 8.1.

1.81 "**Third Party Patent Licenses**" means Patent licenses obtained by Surface after Surface determines in good faith that one or more such Patent licenses from Third Parties are [***], in order to avoid Third Party claims of patent infringement [***] of a Licensed Antibody, [***]. For clarity, Third Party Patent Licenses explicitly excludes licenses to any of the foregoing:

(1) [***]

(2) [***]

(3) [***]

(4) [***]

(5) [***]

(6) [***]

(7) [***]

1.82 "**Valid Claim**" means a claim of a Licensed Program Antibody Patent, which claim [***].

1.83 References in the body of this Agreement to "Sections" and "Articles" refer to the sections and articles of this Agreement. The terms "include," "includes," "including" and derivative forms of them shall be deemed followed by the phrase "without limitation" regardless of whether such phrase appears there (and with no implication being drawn from its inconsistent inclusion or non-inclusion), and the use of the word "or" shall not be exclusive.

1.84 To avoid doubt, the term "antibody" as used everywhere else in this Agreement includes both full-length antibodies, functional fragments thereof, and chemically modified versions thereof (including pegylated versions and regardless of whether containing amino acid substitutions), all of the foregoing whether naturally occurring, artificially produced, raised in an artificial system, or created through modification of an antibody produced in any of the foregoing ways or otherwise.

ARTICLE 2

PROGRAM.

2.1 Research Programs.

(a) Target Selection. Surface shall nominate the first Target by providing notice of such Target to Adimab before the Effective Date. At any time prior to the expiration of the Discovery Term, Surface may initiate Research Programs with respect to additional Targets by notifying Adimab. In each case, such notice shall be in writing on a Target-by-Target basis, and shall be in the form of a completed Target Questionnaire with respect to each such Target and delivery of Surface's antigen for such Target. Adimab's obligation to perform such additional Research Programs shall be subject to the availability of Adimab researchers. Upon receipt of such notice by Adimab and Adimab's confirmation of availability, the Parties shall work together to prepare the content of a Research Plan with respect to such Target, including the relevant Deliverables and success criteria. Such Research Plan shall be based upon the form of Research Plan attached hereto as Exhibit B, and shall include Adimab's responsibilities with respect to the discovery and optimization of antibodies with respect to each Target. Each Research Plan shall be agreed upon in writing by the Parties, and each Research Program shall be conducted in accordance therewith. Neither Party is required to perform a Research Program under this Agreement if the Parties do not mutually agree in writing on Research Plan.

(b) Conduct of Research. Each Party shall use its commercially reasonable efforts to perform the Research Program activities assigned to such Party in each Research Plan and to achieve the timeline(s) set forth in such Research Plan. Adimab's performance obligations under each Research Program shall be contingent upon Surface providing the Surface Materials, if any, set forth in the applicable Research Plan. Such Surface Materials are expected to include Target antigen. Adimab's obligations with regard to the performance of a particular Research Program shall expire at the end of the applicable Research Term. Adimab shall have the right to use Third Parties in the performance of its obligations hereunder, subject to Surface's prior written consent if such Third Party is not identified and the applicable work not described in the Research Plan (any such permitted Third Party, a "**Controlled Contractor**").

2.2 Project Management.

(a) Scientific Research Committee. Promptly after the completion of the first Research Plan, the Parties shall form a steering committee consisting of [***] representatives from each Party with respect to the relevant Research Program (the "**Research Committee**") to oversee the Research Programs. The Research Committee's role is to facilitate communication regarding progress in relation to the Research Programs and the collaboration generally. Either Party may change its Research Committee members upon written notice to the other Party. The Research Committee may meet in person or by teleconference or videoconference. Each Party shall designate one of its Research Committee members as co-chair. The Research Committee shall meet from time to time promptly after the date of a written request by either Party. Additional members representing either Party may attend any Research Committee meeting. The co-chairs shall be responsible to circulate, finalize and agree on minutes of each meeting within [***] days after the meeting date. Upon expiration of the final Research Term, the Research Committee shall be disbanded.

(b) Decision Making. The Research Committee shall operate by consensus but solely within the limits specified in this Section 2.2, it being understood that if the co-chairs cannot agree with regards to a specific matter within their decision-making authority, no decision of the Research Committee shall be deemed taken by the Research Committee. The Research Committee shall have the limited authority to amend the Research Plans in a manner not substantially affecting resources required to perform, timing for performance, or success criteria. Except for the limited authority set forth in this Section 2.2, the Research Committee shall not have any decision-making authority and in no event shall the Research Committee shall have the power to amend or waive compliance with this Agreement.

(c) Alliance Managers. Each Party shall designate in writing within [***] days after signing an "Alliance Manager" to be the primary contact for such Party. The Alliance Manager shall be responsible for managing communications between the Parties with respect to a Research Program, including responsibility for scheduling teleconferences and coordinating Research Committee meetings.

(d) Exclusive Use of Campaign Manager. During the applicable Research Term and for a period of [***] year after, the person whom Adimab has designated as the "Campaign Manager" for a given Research Program shall not perform, or supervise the performance of, research relating to the same Target using Adimab Platform Technology for Adimab or its Affiliates (whether for their own account or on behalf of any Third Party). It is understood and agreed that if such a person is no longer in Adimab's or its Affiliate's employ, then such person's activities for another employer are beyond the scope of (and are not Adimab's responsibility to prevent under) the foregoing sentence.

2.3 Reports; Records.

(a) By Adimab. During the applicable Research Term, at the junctures specified in the applicable Research Plan, Adimab shall provide written reports to Surface regarding the Research Plan. Notwithstanding the foregoing or anything express or implied anywhere in this Agreement, Adimab shall not be required to disclose any Adimab Platform Technology or Adimab Platform Technology Improvements to Surface. Adimab shall maintain records, in sufficient details and in good scientific manner appropriate for patent purposes, which shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of a Research Program, by or on behalf of Adimab or any of its Affiliates or Controlled Contractors. All such records shall be kept in sufficient detail to identify and report those research activities conducted by Adimab, and shall be made available for inspection or copies provided to Surface upon Surface's request. In the event that such records and data include disclosure of Adimab Platform Technology or Adimab Platform Technology Improvements, Adimab may redact those portions as is necessary to protect Adimab Platform Technology or Adimab Platform Technology Improvements prior to any review or inspection by or delivery to Surface.

(b) By Surface. During the applicable Research Term, at the junctures set forth in the applicable Research Plan, for so long as Surface or any of its Affiliates, licensees or sublicensees continue to generate or test any Program-Benefited Antibodies, Surface shall provide written reports to Adimab which provide any data Surface is required to provide under the applicable Research Plan and shall disclose information regarding the existence and progress of all Program-Benefited Antibodies since the date of the last report. For clarity, the information reported by Surface after the Research Term shall be solely for the purpose of allowing Adimab to monitor Surface's obligations under this Agreement.

2.4 Use of Adimab Materials. With respect to each Target, Surface and its Affiliates shall only use Adimab Materials (a) as is necessary to conduct a Research Program during the Research Term and the Evaluation Term, (b) pursuant to the license granted under Section 3.1(a) and Section 3.2(b) of this Agreement while such licenses are in effect, including for Permitted Comparisons, or (c) to generate and test Program-Benefited Antibodies in accordance with Section 9.4. Surface and its Affiliates shall not use Adimab Materials for any other purposes. Without limiting the foregoing, Adimab acknowledges and agrees that upon receipt of Program Antibodies, Surface may conduct testing on such Program Antibodies to optimize such Program Antibodies (and, to avoid doubt, the optimized versions thus created shall be Program-Benefited Antibodies).

Adimab retains title to the Adimab Materials, including all quantities of Program Antibodies that it provides under a Research Program, including during the Evaluation Term. During the Evaluation Term, such quantities of Program Antibodies are (i) for use solely in assessing whether to exercise the Commercial Option or Research Option for the applicable Target and for Permitted Comparisons, and (ii) shall not be used in humans or for any commercial purpose. Should Surface exercise neither its Research Option pursuant to Section 3.2(a) nor its Commercial Option pursuant to Section 3.3(a), Surface shall return to Adimab or destroy any Program-Benefitted Antibodies in its possession on expiration of the Evaluation Term for such Target. Surface shall destroy any Licensed Research Antibodies in its possession on expiration of the relevant Research License Term. Without limiting the generality of the foregoing, during the Evaluation Term and after expiration of the Options, if unexercised, Surface shall not provide Program-Benefitted Antibodies to Third Parties, except as permitted by this Agreement.

2.5 Use of Surface Materials. Adimab shall use the Surface Materials solely to perform the Research Program for the applicable Target. Adimab shall not transfer the Surface Materials outside of Adimab nor, for clarity, provide the Surface Materials to any Third Party. Within [***] days after the Research Term for such Target ends, Adimab will return to Surface or destroy any remaining Surface Materials (at Surface's direction).

2.6 Certain Restrictions on the Use of Antibodies.

(a) Adimab Restrictions. For each Target, until the earlier of expiration of the Evaluation Term for such Target or Surface's exercise of its Commercial Option for such Target, Adimab shall not provide any of the Program Antibodies (or any of their Binding Sequence Information) to any Third Party in connection with performing a funded or sponsored research program for such Third Party. In addition, even if Surface does not exercise its Commercial Option for a particular Target, Adimab shall not file Program Antibody Patents for such Target or any patent application Covering any Program Antibody, unless independently rediscovered as contemplated below. For purposes of this Section 2.6, the performance of a program by Adimab means use of any of the Adimab Platform Technology to discover or optimize antibodies to the applicable Target based on activity against or with respect to such Target. Further, at all times, unless independently rediscovered without the use of (i) Surface Materials, (ii) Confidential Information of Surface (subject to Section 6.2(e)), (iii) any antibody library that is (A) [***] and (B) [***] (any such antibody library satisfying clauses (A) and (B)(1), a "**Naive Antibody Library**") or (2) created specifically for use in the Research Program and [***] from a Naive Antibody Library in a Research Program (any such antibody library satisfying clauses (A) and (B)(2) an "**Optimization Antibody Library**") and or any antibodies identified therefrom (including Program Antibodies), or any of their partial or whole sequences, or (iv) any Program Inventions to the extent solely owned by Surface based on the terms of this Agreement (subject to Section 6.2(e)), Adimab and its Affiliates shall not (I) provide the Program Antibodies or their Binding Sequence Information to any Third Party at any time, or any other antibody or their Binding Sequence Information identified from any Naive Antibody Library or Optimization Antibody Library under a Research Program or (II) use the Program Antibodies, any other antibody identified from any Naive Antibody Library or Optimization Antibody Library under a Research Program, or any of their Binding Sequence Information, to research, develop, manufacture or commercialize any biologic or drug products in for Adimab, its Affiliates or any Third Parties. Further, Adimab shall not perform any research, discovery or development with respect to a Target using any Naive Antibody Library or Optimization Antibody Library for which research, discovery or development was pursued with respect to such Target under a Research Program, and Adimab shall not provide (by any means, such as sale, license or transfer), any Naive Antibody Library or Optimization Antibody Library (or any substantial portion thereof) to any others.

To avoid doubt and notwithstanding anything to the contrary in this Agreement:

(i) nothing herein shall prevent Adimab from licensing or transferring some or all of the Adimab Platform Technology and/or Adimab Platform Technology Improvements to a Third Party (including technical support in connection therewith) nor shall anything herein require Adimab to in any way limit the use of the Adimab Platform Technology and/or Adimab Platform Technology Improvements by a Third Party, subject to the restrictions above regarding any Naive Antibody Library or Optimization Antibody Library and antibodies identified therefrom (including Program Antibodies), or any of their Binding Sequence Information; and

(ii) nothing herein shall require Adimab to physically remove from its libraries, or to prevent from being included in future libraries, any Program-Benefited Antibodies, but Adimab is limited with respect to the use of any Naive Antibody Library and Optimization Antibody Library as provided above. This Agreement expressly provides for a reserved right for Adimab, its Affiliates, and those deriving rights from them (a) to include Program-Benefited Antibodies in antibody library(ies) (other than Naive Libraries) transferred or licensed by Adimab to Third Parties (including the transfer of physical possession of samples of Program-Benefited Antibodies to a Third Party as part of such transactions) and (b) to conduct any activity with respect to Program-Benefited Antibodies that are not Licensed Antibodies under this Agreement if Adimab (or such other party) arrives at such Program-Benefited Antibodies in a manner fully compliant with Adimab's other covenants and obligations in this Agreement.

(iii) Adimab may independently regenerate Binding Sequence Information for any Program Antibodies without use or reference to any Program Inventions or any Naive Antibody Library or Optimization Antibody Library, other than Adimab Platform Technology Improvements (which nothing in this Agreement shall be read to restrict Adimab from using). In the case of independent rediscovery as provided above, Adimab shall be unrestricted in its use of and ability to provide the applicable independently rediscovered or independently regenerated antibodies to others.

(b) **Surface Restrictions**. Surface hereby covenants that it and its Affiliates shall not seek to or actually clinically develop or commercialize any Program-Benefited Antibody, or product containing either of the foregoing (other than the activities permitted hereunder during the Research Term and the Evaluation Term for the purpose of determining whether or not to exercise an Option for such Target), without first executing the Commercial Option with Adimab with respect to the applicable Target.

2.7 **Amendment and Restatement**. The Parties hereby agree and acknowledge that this Agreement amends and restates the Original Agreement in its entirety and the Original Agreement is replaced with, and superseded by, this Agreement; *provided, however*, that, for the avoidance of doubt, any activities conducted under the Original Agreement shall be deemed to have been conducted under this Agreement.

ARTICLE 3

LICENSES; OPTION; DEVELOPMENT & COMMERCIALIZATION

3.1 Mutual Research Program Licenses.

(a) To Surface. During the Research Term and Evaluation Term for each Target, Adimab hereby grants to Surface a non-exclusive, non-sublicensable license with respect to such Target, under the Adimab Platform Patents, Program Antibody Patents and Know-How Controlled by Adimab (or its Affiliates) during the term of this Agreement, to perform research, and to design, research, preclinically develop, make, import and use Program-Benefited Antibodies and Adimab Materials pertaining thereto in the Field, including for Surface to (i) evaluate Program-Benefited Antibodies, (ii) perform Permitted Comparisons and Surface's responsibilities under the Research Plan and this Agreement for each Target, and (iii) design, research, preclinically develop, make, import and use Program-Benefited Antibodies and Adimab Materials as Adimab Diagnostic Products. For clarity, the license to Surface excludes the right to [***] but includes the right to (1) perform Permitted Comparisons and (2) have others perform the licensed activities on behalf of Surface.

(b) To Adimab. During the Research Term and Evaluation Term for each Target, Surface hereby grants to Adimab a non-exclusive, nontransferable (except in connection with a permitted assignment of this Agreement) license (without the right to grant sublicenses except to Controlled Contractors) with respect to such Target under all Patents and Know-How Controlled by Surface (or its Affiliates) which Cover or relate to the Targets (including any that so relate by claiming antibodies directed to the Targets or a mechanism of action via the Targets) or any Surface Materials, solely to perform Adimab's responsibilities as provided for in the applicable Research Plan.

3.2 Research Rights.

(a) Research Option. On a Target-by-Target basis, Adimab hereby grants to Surface the exclusive option (for each Target, a "**Research Option**") to obtain the licenses set forth in Section 3.2(b) for Licensed Research Antibodies to the Target, exercisable by written notice to Adimab and (i) payment by Surface to Adimab of [***] on or before the date that is [***] months after the date on which Technical Milestone 1 is achieved for the Target, or (ii) payment of Technical Milestone 2 with respect to the Target and on or before the expiry of the Evaluation Term. Surface shall, in its written notice to exercise the Research Option for a Target, specify up to ten (10) Program Antibodies against the Target as the "**Licensed Research Antibodies**". Upon such Research Option exercise, Adimab will provide to Surface sufficient materials to allow Surface to express any such Licensed Research Antibodies.

(b) Research License. Adimab hereby, effective on Surface's exercise of the Research Option for a Target and the applicable Licensed Research Antibodies:

(i) grants to Surface a worldwide, fully paid-up, sublicenseable through multiple tiers (solely as provided in Section 3.2(b)(ii)) license, under (A) the Adimab Platform Patents and, (B) any Licensed Program Antibody Patents, and (C) Know-How and other Patents Covering the Adimab Platform Technology, Adimab Platform Technology Improvements or Program Inventions, in each case, Controlled by Adimab (or its Affiliates) as of the start of and during the applicable Research License Term, to make, have made, import, have imported, export and have exported, in each case, for research purposes only, the Licensed Research Antibodies for such Target for a period beginning on the date of Surface's exercise of the Research Option for such Target and expiring on the date [***] years after such exercise (subject to Section 9.1) (the "**Research License Term**"). Such license shall be non-exclusive and shall exclude the use of any Licensed Research Antibodies in humans. This license grant is granted by Adimab as of the Effective Date as a current license grant, subject only to the Research Option exercise by Surface but not any other action by Adimab.

(ii) The license granted under Section 3.2(b)(i) shall be sublicensable solely to (x) Controlled Contractors or (y) in connection with the sublicensing of commercial rights to a therapeutic product against the same Target, in either case, pursuant to sublicenses that are consistent with all relevant terms and conditions of this Agreement, including Sections 2.4 and 9.4 hereof. Surface shall remain responsible for all payments and other performance obligations due under this Agreement, notwithstanding any license or sublicense that it may grant.

3.3 Commercial Rights.

(a) Commercial Option. On a Target-by-Target basis, Adimab hereby grants to Surface the exclusive option (for each Target, a "**Commercial Option**") to obtain the licenses of Section 3.3(b) for Licensed Antibodies to the Target, exercisable by payment of the Commercial Option Fee with respect to such Target to Adimab on or before the expiry of the Evaluation Term. Surface shall, in its written notice to exercise the Commercial Option for a Target, specify up to twenty (20) Program-Benefited Antibodies against the Target as the "**Licensed Antibodies**." Additionally, Surface shall have the exclusive option to obtain licenses for up to five (5) additional Licensed Antibodies ("**Additional Licensed Antibodies**"), up to a total of twenty-five (25) Licensed Antibodies, with each Additional Licensed Antibody beyond the initial twenty (20) increasing the Commercial Option Fee in accordance with Section 4.3. For clarity, Additional Licensed Antibodies shall be classified as "Licensed Antibodies" under this Agreement. Upon such Commercial Option exercise, Adimab will provide to Surface sufficient materials to allow Surface to express any such Licensed Antibodies that were generated in the Research Program. Notwithstanding the foregoing, Surface may elect to partially exercise the Commercial Option by paying sixty five percent (65%) of the Commercial

Option Fee and designating up to ten (10) Program-Benefited Antibodies as Licensed Antibodies; *provided, however*, that prior to the expiration of the Evaluation Term, Surface shall either (i) pay the remaining thirty five percent (35%) of the Commercial Option Fee and, at any time prior to the expiration of the Evaluation Term (even if after payment of the remaining thirty five percent (35%) of the Commercial Option Fee) designate additional Program-Benefited Antibodies as Licensed Antibodies such that the total number of Licensed Antibodies does not exceed twenty (20) or (ii) fail to pay the remaining thirty five percent (35%) of the Commercial Option Fee, in which case the Commercial Option shall be deemed not to have been exercised with respect to such Target and no Program-Benefited Antibodies against such shall be deemed Licensed Antibodies from that point forward.

(b) Development and Commercialization License and Assignment. Adimab hereby, effective on Surface's exercise of the Commercial Option for a Target and the applicable Licensed Antibodies:

(i) assigns to Surface, subject to the terms and conditions of this Agreement and without any further action required of either Party, all right, title and interest in and to those Licensed Program Antibody Patents that solely Cover those Licensed Antibodies, and at Surface's request, Adimab will execute title transfer and recordation assignments for any such Licensed Program Antibody Patents; and

(ii) grants to Surface a worldwide, royalty-bearing, sublicenseable through multiple tiers (solely as provided in Section 3.3(b)(iii)) license, under (A) the Adimab Platform Patents, (B) those Licensed Program Antibody Patents which are not assigned to Surface pursuant to Section 3.3(b)(i) (for any reason, including bankruptcy and other like proceedings described in Section 9.7), and (C) Know-How Covering the Adimab Platform Technology, Adimab Platform Technology Improvements or Program Inventions, in each case, Controlled by Adimab (or its Affiliates) as of the start of and during the term of this Agreement, in the Field, to research, have researched, develop, have developed, commercialize, have commercialized, make, have made, use, have used, sell, have sold, offer to sell, have offered to sell, import, have imported, export and have exported the Licensed Antibodies and Licensed Products for such Target during the term of this Agreement (subject to Section 9.1). Such license shall be non-exclusive under the Adimab Platform Patents and Know-How, and exclusive (even as to Adimab and its Affiliates) under the Licensed Program Antibody Patents. This license grant is granted by Adimab as of the Effective Date as a current license grant, subject only to the Commercial Option exercise by Surface but not any other action by Adimab.

(iii) The license granted under Section 3.3(b)(ii) shall be sublicensable solely pursuant to sublicenses that are consistent with all relevant terms and conditions of this Agreement, including Section 9.4 hereof. Surface shall remain responsible for all payments and other performance obligations due under this Agreement, notwithstanding any license or sublicense that it may grant.

3.4 Diligent Development and Commercialization. Surface shall, if it exercises the Commercial Option with respect to a Target, devote Commercially Reasonable Efforts to preclinically and clinically develop, seek Marketing Approval for in the Major Markets, and launch and actively commercialize in the Major Markets at least one (1) Licensed Antibody against such Target. Annually, Surface will provide Adimab with a written report of Licensed Product progress in development and commercialization, by Surface's and its Affiliates' activities in that regard. If requested by Adimab, Surface shall meet with Adimab to discuss such report once annually.

3.5 No Implied Licenses. Other than the licenses, options and assignments explicitly set forth in this Agreement, neither Party grants any intellectual property licenses, options or assignments to the other Party under this Agreement. This Agreement does not create any implied licenses.

ARTICLE 4

FINANCIAL TERMS.

4.1 Research Stage Fees.

(a) Research Funding. For each Research Program, Surface shall pay Adimab (i) an amount equal to [***] percent [***] of the estimated FTEs (at the FTE Rate) for the Research Program, such amount to be paid within [***] business days of agreement on a Research Plan, and (ii) within [***] business days of completion of a Research Program, an amount equal to [***] percent [***] of the actual FTEs expended by Adimab on the Research Program (at the FTE Rate) less the amount previous paid with respect to such Research Program pursuant to clause (i); *provided, however*, that (1) such actual FTEs do not exceed the FTEs set forth in the applicable Research Plan (as amended from time to time) for such Research Program by more than [***] percent [***] and (2) Adimab has provided Surface with an invoice for each of such payments. Upon Surface's reasonable request, Adimab shall provide customary and reasonable documentation to evidence that all such amounts so paid by Surface were used on FTE's for the applicable Research Program.

(b) Technical Milestones. Surface shall pay Adimab two technical milestone fees with respect to each Research Program on each Target, as follows:

(i) The first technical milestone fee shall be equal to [***] for each Research Program, and such fee will be paid to Adimab by Surface within [***] business days of the later of (1) [***] and (2) provision by Adimab of an invoice for such payment to Surface; and

(ii) The second technical milestone fee shall be equal to [***] for each Research Program, and such fee will be paid to Adimab by Surface within [***] business days of the later of (1) [***] and (2) provision by Adimab of an invoice for such payment to Surface. In the event that the second technical milestone is met in the initial delivery, or in the event that the second technical milestone is met without payment of the first technical milestone, then, in either case, Surface shall pay both technical milestones.

4.2 Research License Maintenance Fee. For each Research Option that is exercised by Surface, Surface shall pay an annual maintenance fee of [***] on each of the [***] anniversaries of the date of exercise of the relevant Research Option, subject to early termination as provided in this Agreement.

4.3 Commercial Option Fee. In order to exercise the Commercial Option under Section 3.3(a) for a Target, Surface shall pay to Adimab a non-creditable, nonrefundable option exercise fee of [***] for each such Target (each, a "**Commercial Option Fee**"). If Surface elects to license Additional Licensed Antibodies, each Additional Licensed Antibody will increase the Commercial Option Fee by [***] up to a maximum Commercial Option Fee of [***] for each such Target.

4.4 Milestone Payments. Subject to Section 4.7, for each Target, Surface shall report in writing to Adimab the achievement of each event (each, a "**Milestone Event**") and pay the corresponding development milestone payment (each, a "**Milestone Payment**") to Adimab, each within [***] days after the achievement of the corresponding milestone event in the following table (whether achieved by or on behalf of Surface or its Affiliates or any other entity acting on behalf of any of them or having received a license, sublicense or other rights from any of the foregoing with respect to a Licensed Product):

Milestone Event for each Licensed Product for a Target	Milestone Payment
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

Milestones Payments are payable one time only per Licensed Product, the first time each is achieved for such Licensed Product. If a subsequent Milestones Event is achieved for any Licensed Product without a prior Milestone Event having been achieved for that Licensed Product, then Surface shall pay the Milestone Payment for such previous Milestone Event along with the payment for the most recently achieved Milestone Event. Notwithstanding the foregoing, if a Milestone Payment has been paid by Surface with respect to a Product that is then abandoned prior to the receipt of Marketing Approval by Surface, and Surface subsequently elects to research, develop and commercialize a back-up Product against the same Target, then no Milestone Payment shall be due for such previously paid Milestone Payment with respect to such back-up Product.

4.5 Deferred Payment Option. The Commercial Option Fee and the Milestone Payments with respect to the first two Milestone Events set forth in Section 4.4 (i.e., those related to (a) [***] and (b) [***]) shall be deemed met and accrue when the Commercial Option is exercised or the applicable Milestone Event is achieved for a given Licensed Product, respectively and as the case may be. Surface may pay the Commercial Option Fee or the corresponding Milestone Payment, or Surface may provide written notice prior to the due date for such Commercial Option Fee or Milestone Payment of its election to delay payment of such amount until the earlier of (i) [***] (ii) [***] (iii) [***]. If Surface opts to delay any such payment, Surface shall pay Adimab, on the first business day of every calendar year, interest (each, an "**Interest Payment**") accrued on all such deferred amounts at a rate of [***] per [***] (calculated on a daily basis), from the date any such Commercial Option Fee and/or Milestone Payments are due hereunder until such Commercial Option Fee and/or Milestone Payments, and any interest thereon, are paid in full; *provided, however*, that if Surface ceases all research and development activities with respect to Program-Benefited Antibodies against the same Target for which a payment is delayed, then Surface shall not be obligated to make such Interest Payment and the applicable Commercial Option Fee and Milestone Payments, all of which are hereby forgiven in such circumstances; and *provided, further, however*, that in the event that Surface (or its Affiliate or licensee) subsequently resumes research or development on Program-Benefited Antibodies against such Target, Surface shall immediately pay to Adimab any unpaid Interest Payments (including any interest which has accrued on such Interest Payments during the period since Surface last made an Interest Payment to Adimab with respect to such Program-Benefited Antibody), and Surface shall resume the payment of Interest Payments on the first business day of the next calendar year.

4.6 Royalties.

(a) Royalty Payments. Subject to Section 4.7, as to each Licensed Product sold during the applicable Royalty Term in a country, on a Licensed Product-by-Licensed Product basis, Surface shall pay Adimab the following royalties, based on the royalty rate applicable to the relevant portion of annual worldwide Net Sales for such Licensed Product during the applicable Royalty Term for such Licensed Product in such country ("**Royalty Payments**"):

Portion of Worldwide Calendar Year Net Sales	**Royalty Rate**
[***]	[***]
[***]	[***]

(b) Other Royalty Provisions. Only one royalty will be due with respect to the same unit of Licensed Product, even if such Licensed Product unit is comprised of more than one Licensed Antibody or any modified or derivative forms thereof.

(c) Adjustment for Third Party IP. If Surface or any of its Affiliates enters into any Third Party Patent Licenses, then [***] of the net sales royalties actually paid to the Third Party under the Third Party Patent License with respect to Net Sales of any given Licensed Product in any given calendar quarter in any given country may be offset against the royalty that would otherwise have been payable to Adimab with respect to such same Net Sales; *provided, however*, that in no event shall the royalty owed to Adimab be reduced by more than [***] than the payment which would otherwise be due hereunder with any excess carried over to future royalty period(s) until such excess may be used in compliance with this proviso.

It is understood, agreed and acknowledged that Adimab's allowing Surface to claim the credit of this Section 4.6 as to any particular Third Party Patent License: [***].

(d) Milestone Payments and Royalty Payments for Certain [***]. In the event that a single Licensed Product contains [***] Program Antibodies, [***], then (i) Surface shall owe only one Milestone Payment for the achievement of a given Milestone Event with respect to such Licensed Product, and (ii) Surface shall owe only one Royalty Payment with respect to any specific portion of Net Sales of such Licensed Product.

4.7 Milestone Payments and Royalty Payments for Adimab Diagnostic Products for use with or in connection with External Products. Surface shall make the following payments with respect to Adimab Diagnostic Products for use with or in connection with External Products in lieu of the payments set forth in Sections 4.4 and 4.6(a).

[***]	[***]
[***]	[***]
[***]	[***]

For clarity, no payment is due under this Agreement (including under Section 4.4 or 4.6) with respect to (a) any Companion Diagnostic or Other Diagnostic Product (although payments shall be due under Sections 4.4 and 4.6(a) with respect to any applicable therapeutic Licensed Product(s)) or (b) any External Product. In addition, except as expressly provided in this Section 4.7, (i) milestone payments due for Adimab Diagnostic Products for use with or in connection with External Products are subject to the remaining terms and conditions of Section 4.4 (*mutatis mutandis*), and (ii) royalty payments due for Adimab Diagnostic Products for use with or in connection with External Products are subject to the remaining terms and conditions of Section 4.6 (*mutatis mutandis*).

4.8 Quarterly Payment Timings. All royalties due under this Agreement shall be paid quarterly within [***] days after the end of the relevant calendar quarter for which royalties are due.

4.9 Royalty Payment Reports. With respect to each calendar quarter, within [***] days after the end of the calendar quarter, Surface shall provide to Adimab a written report stating the number and description of all Licensed Products sold during the relevant calendar quarter; the gross sales associated with such sales; and the calculation of Net Sales on such sales. The report shall provide all such information on a country-by-country and Licensed Product-by-Licensed Product basis if reasonably available.

4.10 Payment Method. All payments due under this Agreement to Adimab shall be made by bank wire transfer in immediately available funds to an account designated by Adimab. All payments hereunder shall be made in the legal currency of the United States of America, and all references to "**$**" or "**dollars**" shall refer to United States dollars (i.e., the legal currency of the United States).

4.11 Taxes. The Parties agree to cooperate with one another and use reasonable efforts to minimize obligations for any and all income or other taxes required by applicable law to be withheld or deducted from any royalties, milestone payments or other payments made by Surface to Adimab under this Agreement, including by completing all procedural steps, and taking all reasonable measures, to ensure that any withholding tax is reduced or eliminated to the extent permitted under applicable law, including income tax treaty provisions and related procedures for claiming treaty relief. To the extent that Surface is required to deduct and withhold taxes on any payment to Adimab, Surface shall deduct and withhold such taxes and pay the amounts of such taxes to the proper government authority in a timely manner and promptly submit to Adimab an official tax certificate or other evidence of such withholding sufficient to enable Adimab to claim such payment of taxes. Surface shall provide Adimab with reasonable assistance in order to allow Adimab to recover, as permitted by applicable law, withholding taxes, value added taxes or similar obligations resulting from payments made hereunder or to obtain the benefit of any present or future treaty against double taxation which may apply to such payments. Adimab shall provide Surface with any tax forms that may be reasonably necessary in order for Surface to not withhold tax or to withhold tax at a reduced rate under an applicable bilateral tax income treaty.

4.12 Records; Inspection.

(a) Surface shall keep and ensure that its Affiliates keep complete and accurate records of its sales and other dispositions (including use in clinical trials, or provision on a compassionate use basis or as marketing samples) of Licensed Antibody and Licensed Product including all records that may be necessary for the purposes of calculating all payments due under this Agreement for a period of at least [***] years. Surface shall make such records available for inspection by an accounting firm selected by Adimab (and which is reasonably acceptable to Surface) at Surface's premises in the United States on reasonable notice during regular business hours as provided in Section 4.11(b).

(b) At Adimab's expense no more than [***] per calendar year, Adimab has the right to retain an independent certified public accountant from a nationally recognized (in the U.S.) accounting firm to perform on behalf of Adimab an audit, conducted in accordance with U.S. generally accepted accounting principles (GAAP), of such books and records of Surface and its Affiliates as are deemed necessary by the independent public accountant to report on Net Sales, for the period or periods requested by Adimab within the [***] most recent calendar years as of the date of the audit performance, and the correctness of any report or payments made under this Agreement. No period may be audited more than once. Prior to any review, such accounting firm shall have entered into a written agreement with Surface (or its Affiliates, licensees or sublicensees) limiting the use of such records to verification of the accuracy of payments due under this Agreement and prohibiting the disclosure of any information contained in such records to a Third Party and to Adimab for a purpose other than as set forth in this Section 4.11(b). The report of such accounting firm shall be limited to a certificate stating whether any report made or invoice or payment submitted by Surface during such period is accurate or inaccurate and the actual amounts owed by or due under this Agreement to Adimab for such period.

(c) If the audit reveals an underpayment, Surface shall promptly pay to Adimab the amount of such underpayment plus interest in accordance with Section 4.15. Any overpayment made by Surface shall be fully creditable against amounts payable in subsequent payment periods or promptly refunded, at Adimab's election. Any audit by an independent certified public accounting firm under this Section 4.11 is to be made at the expense of Adimab, but if the audit reveals that the monies owed by Surface to Adimab has been understated by more than [***] percent [***] for the period audited, Surface shall, in addition, pay the reasonable out-of-pocket costs incurred by Adimab of such audit.

(d) The Parties agree that all information provided in a royalty payment report, all records kept by Surface or its Affiliates, licensees and sublicensees under this Section 4.11 or Section 4.12, and any information provided by the independent certified public accounting firm to Adimab are Confidential Information of Surface.

4.13 Licensee/Sublicensee Reports, Records and Audits. If Surface grants any Product licenses or sublicenses, the agreements for such licenses and sublicenses shall include an obligation for the licensee or sublicensee to (i) maintain records adequate to document and verify the proper payments (including milestones and royalties) to be paid to Adimab; (ii) provide reports with sufficient information to allow such verification; and (iii) allow Adimab (or Surface if requested by Adimab) to verify the payments due (such audit right is not required to be any stronger than that of Section 4.11).

4.14 Foreign Exchange. If any currency conversion shall be required in connection with the calculation of amounts payable hereunder, such conversion shall be made using the exchange rates (a) used by Surface (or the selling entity) for its own financial reporting purposes in its worldwide accounting system (which shall be consistent with applicable accounting standards), if Surface (or the selling entity) is a public company, or (b) if Surface is not a public company, then shall be determined the same way except that the rates shall be the average of the purchase and sale rates for U.S. Dollars for such day as reported on the fifth (5th) business day prior the payment due date for the purchase and sale of U.S. dollars, as reported by the Wall Street Journal, Eastern Edition (or if it no longer exists, a similarly authoritative source). With any payment in relation to which a currency conversion is performed to calculate the amount of payment due, Surface shall provide to Adimab a true, accurate and complete copy of the exchange rates used in such calculation.

4.15 Non-refundable, non-creditable payments. Each payment that is required under this Agreement is non-refundable and non-creditable.

4.16 Late Payments. Any amount owed by Surface to Adimab under this Agreement that is not paid within the applicable time period set forth herein will accrue interest at the rate of [***] percent [***] above the then-applicable short-term three-month London Interbank Offered Rate (LIBOR) as quoted in the Wall Street Journal, Eastern Edition (or if it no longer exists, a similarly authoritative source) calculated on a daily basis, or, if lower, the highest rate permitted under applicable law.

ARTICLE 5

Patent Ownership.

5.1 Ownership and Inventorship.

(a) Program Patents. Adimab shall solely own, regardless of inventorship, all Patents Covering Adimab Platform Technology Improvements and, prior to Commercial Option exercise, all Program Antibody Patents. Surface shall own, regardless of inventorship, from and after the date of Commercial Option exercise, all Licensed Program Antibody Patents, subject to the terms and conditions of this Agreement. Ownership of all Program Patents other than those referred to in the foregoing two (2) sentences shall be owned based on inventorship. Program Inventions (to the extent not Patented and addressed above) that constitute Adimab Platform Technology Improvements shall be owned by Adimab and all other Program Inventions shall be owned by the Party that created it.

(b) Other Patents. To avoid doubt, nothing in this Agreement shall alter the ownership of the Parties' pre-existing Patents. Section 5.1(a) speaks only to ownership of Program Patents.

(c) Inventorship. Inventorship for purposes of this Agreement, and all intellectual property-related definitions in this Agreement, shall be determined in accordance with United States patent law for all Patents worldwide.

5.2 Implementation.

(a) Assignments. Each Party hereby assigns to the other Party Program Inventions and associated Patents as necessary to achieve ownership as provided in Section 5.1. Each assigning Party shall execute and deliver all documents and instruments reasonably requested by the other Party to evidence or record such assignment or to file for, perfect or enforce the assigned rights. Each assigning Party hereby appoints the other Party as attorney-in-fact solely to execute and deliver the foregoing documents and instruments if such other Party after making reasonable inquiry does not obtain them from the assigning Party. Each Party (and its Affiliates) shall perform its activities under this Agreement through personnel who have made a similar assignment and appointment to and of such Party or any of its Affiliate. Each assigning Party shall make its relevant personnel (and their assignments and signatures on such documents and instruments) reasonably available to the other Party for assistance in accordance with this Article at no charge.

(b) Joint Ownership Implementation. As regards Joint Serendipitous Inventions and the Program Patents to the extent claiming them, either Party is entitled to practice and license them without consent of and without a duty of accounting to the other Party in accordance with the co-ownership rights of co-inventors under U.S. law, subject to the terms of this Agreement. Each Party hereby grants all permissions, consents and waivers with respect to, and all licenses under, the Joint Serendipitous Inventions and the Program Patents claiming them as necessary to achieve throughout the world the nature of joint ownership rights of the foregoing as described in Section 5.1 and the foregoing sentence and otherwise subject to the terms of this Agreement. To avoid doubt, this Section 5.2(b) does not imply any permission, consent or waiver with respect to, or license under, any Patent or item of Know-How other than the Joint Serendipitous Inventions and the Program Patents to the extent claiming them.

5.3 Disclosure. During the term of the Agreement, each Party shall promptly disclose to the other Party [***] any Program Inventions that would be Covered by Program Antibody Patents or in Surface's case that are Adimab Platform Technology Improvements (which, to avoid doubt, are assigned to Adimab under this Agreement). Such disclosure shall occur as soon as possible, but in any case within [***] days after the Party determines such Program Inventions have been invented. To avoid doubt, this Section 5.3 shall not be read to require Adimab to disclose Program Inventions constituting Adimab Platform Technology Improvements to Surface.

5.4 Program Patent Prosecution.

(a) Adimab Platform Technology. Adimab shall have the sole right (but not the obligation) to Prosecute all Adimab Platform Patents, all at its own expense.

(b) Program Antibody Patents. Surface shall have the sole right (but not obligation except as provided below) to Prosecute all Program Antibody Patents, at Surface's expense, and prior to Commercial Option exercise, in Adimab's name, and after Commercial Option exercise, in Adimab's name to the extent that any Licensed Program Antibody Patent is not assigned to Surface pursuant to Section 3.3(b)(i). Such right shall continue for the duration of the longer of the Evaluation Term and, if Surface exercises the Commercial Option, the term of the license under Section 3.3(b)(ii), subject to all of the following:

(i) Prior to Commercial Option exercise, [***].

(ii) Prior to Commercial Option exercise, [***].

(iii) Both prior to and after Commercial Option exercise, Adimab shall have the right to review and comment on prosecution of the Program Antibody Patents, and Surface shall reasonably consider but is not required to accept any such comments. Adimab shall grant Surface the necessary authority to Prosecute the Program Antibody Patents (including

that Adimab shall join any suit or action regarding the foregoing at Surface's request). Surface shall provide Adimab with copies of all correspondence with patent offices relating thereto (including office actions and the like) promptly after receipt and drafts of all filings and correspondence with such offices no less than [***] in advance of filing.

(iv) If Surface does *not* exercise the Commercial Option for a Target, then [***].

(v) If Surface *does* exercise the Commercial Option for a Target, then [***].

(vi) [***].

(vii) Surface shall use Commercially Reasonable Efforts to Prosecute at least one Licensed Program Antibody Patent in at least each country of the Major Markets.

(viii) Surface shall be solely responsible for all costs of the activities under this Section 5.4(b), except (A) as expressly provided under this Section 5.4(b) or (B) that to the extent Adimab hires counsel to review and comment on Surface's prosecution then Adimab shall be solely responsible for the fees to such counsel.

(ix) Except as provided in this Agreement, Adimab shall not disclose or claim (or have or license any others to disclose or claim) any Program Antibody (or the Binding Sequence Information thereof) or any other antibody or their Binding Sequence Information identified from any Naive Antibody Library or Optimization Antibody Library, unless independently invented in a manner in compliance with the terms of this Agreement (including the restrictions on Naive Antibody Libraries and Optimization Antibody Libraries contained herein). For clarity, (1) Adimab shall not nor allow any others to refile or Prosecute any Patent applications [***] and (2) the foregoing prohibitions shall not prevent Adimab from filing broad Patents (such as, for example, Patents which Cover an antibody library) which Cover a Program Antibody or its Binding Sequence Information so long as Adimab does recite in any claim the such Program Antibody or its Binding Sequence Information in such Patent, and so long as Adimab does not disclose such Program Antibody or its Binding Sequence Information in such Patent.

(c) Responsibility. It is understood and agreed that searching for, identification and evaluation of Third-Party Patents that may apply to any Program Antibodies based on sequence, Target or the like is the responsibility of Surface and Adimab shall have no responsibility for the foregoing nor liability if any such Third-Party Patents exist.

(d) Serendipitous Program Inventions.

(i) Adimab Program Inventions. As between the Parties, Adimab shall have the sole right, at its sole expense, to prepare, file, prosecute, enforce and maintain (including conducting or participating in interferences and oppositions and the like) (collectively "**Prosecute**") all Patents directed to Adimab Program Inventions but not falling within the Program Antibody Patents or the Adimab Platform Technology Improvements (which, to avoid doubt, are both addressed above).

(ii) Surface Program Inventions. Surface shall be responsible, at its sole expense, to Prosecute all Program Patents directed to Surface Program Inventions but not falling within Program Antibody Patents or the Adimab Platform Technology Improvements (which, to avoid doubt, are both addressed above).

(iii) Serendipitous Joint Program Inventions. The Parties shall mutually agree which of them shall be responsible for either using its in-house patent attorneys or through mutually agreed upon outside counsel to Prosecute Program Patents directed to Joint Serendipitous Inventions, and how the costs of such activities will be shared.

5.5 Patent Term Restoration. The Parties shall cooperate with each other, including by providing necessary information and assistance as the other Party may reasonably request, to obtain patent term restoration or supplemental protection certificates or their equivalents in any country where applicable to Licensed Program Antibody Patents. After Commercial Option exercise, if elections with respect to obtaining such patent term restoration are to be made with respect to Licensed Program Antibody Patents, and the Parties do not agree, Surface shall have the right to make the election and Adimab agrees to abide by such election.

5.6 Cooperation of the Parties. At the reasonable request of the responsible (as provided for in this Article 5) Party, the other Party agrees to cooperate fully in the Prosecution of any Program Patents under this Agreement. Such cooperation includes executing all papers and instruments (or causing its personnel to do so) reasonably useful to enable the other Party to apply for and to prosecute patent applications in any country; and promptly informing the other Party of any matters coming to such Party's attention that may affect the Prosecution of any such Patents. Adimab shall not be required pursuant to this Section to disclose Adimab Platform Technology to Surface.

5.7 Patent Challenges. If Surface or its Affiliates challenges in a court the validity, enforceability or scope of any Adimab Platform Patents or any Program Antibody Patent, then: [***].

ARTICLE 6

CONFIDENTIALITY; PUBLICITY.

6.1 General.

(a) Any and all information disclosed or submitted in writing or in other tangible form -- or if disclosed orally, that is indicated to be confidential at the time of disclosure and confirmed in writing as such within [***] days after initial disclosure -- to one Party by the other Party under this Agreement or that certain Mutual Confidentiality Agreement between the Parties dated March 27, 2014 is the "**Confidential Information**" of the disclosing Party. In addition, information embodied in Adimab Materials is Adimab's Confidential Information, and information embodied in the Surface Materials is Surface's Confidential Information, and Program Antibodies will be treated as Surface's Confidential Information after Commercial Option exercise.

(b) To avoid doubt, sequence information (whether as to amino acid sequence or nucleic acid sequence) with respect to Program Antibodies shall be deemed the Confidential Information of Adimab, except that from and after the date of Commercial Option exercise, the sequence information as to the Licensed Antibodies shall be Confidential Information of Surface.

(c) Each Party shall receive and maintain the other Party's Confidential Information in strict confidence. Neither Party shall disclose any Confidential Information of the other Party to any Third Party. Neither Party shall use the Confidential Information of the other Party for any purpose other than as required to perform its obligations or exercise its rights hereunder. Each Party may disclose the other Party's Confidential Information to the receiving Party's directors, employees, contractors and advisors requiring access thereto for the purposes of this Agreement, *provided, however*, that prior to making any such disclosures, each such person shall be bound by written agreement to maintain Confidential Information in confidence, and not to use such information for any purpose other than, in accordance with the terms and conditions of this Agreement. Surface may disclose sequence data and other data generated under the Research Program to legal, financial and investment banking advisors, and potential and actual investors, lenders, financing sources, Change of Control counterparties, acquirers, collaborators, sublicensees and licensees and counsel for the foregoing, that are under legally binding obligations of confidence and limited use and to national patent offices in accordance with Section 5.4. Each Party agrees to take all steps necessary to ensure that the other Party's Confidential Information shall be maintained in confidence including such steps as it takes to prevent the disclosure of its own proprietary and confidential information of like character. Each Party agrees that this Agreement shall be binding upon its Affiliates, and upon the employees and contractors involved in the Research Program of such Party and its Affiliates. Each Party shall take all steps necessary to ensure that its Affiliates and employees and contractors shall comply with the terms and conditions of this Agreement. The foregoing obligations of confidentiality and non-use shall survive, and remain in effect for a period of [***] years from, the termination or expiration of this Agreement in accordance with Article 9.

6.2 Exclusions from Nondisclosure Obligation. The nondisclosure and nonuse obligations in Section 6.1 shall not apply to any Confidential Information to the extent that the receiving Party can establish by competent written proof that it:

(a) at the time of disclosure is publicly known;

(b) after disclosure, becomes publicly known by publication or otherwise, except by breach of this Agreement by such Party;

(c) was in such Party's possession in documentary form at the time of the earlier of disclosure hereunder and disclosure under the agreement referred to in Section 6.1;

(d) is received by such Party from a Third Party who has the lawful right to disclose the Confidential Information and who shall not have obtained the Confidential Information either directly or indirectly from the disclosing Party; or

(e) is independently developed by such Party (i.e., without reference to Confidential Information of the disclosing Party).

6.3 Required Disclosures. If either Party is required to disclose any Confidential Information of the other Party, pursuant to a governmental law, regulation or order, or an order of a court of competent jurisdiction or to defend or prosecute litigation or as part of an arbitration; *provided, however*, that the receiving Party (i) shall give advance written notice to the disclosing Party, (ii) shall make a reasonable effort to assist the disclosing Party to obtain a protective order requiring that the Confidential Information so disclosed be used only for the purposes for which the law or regulation required and (iii) shall use and disclose the Confidential Information solely to the extent so required.

6.4 Terms of Agreement. The terms of this Agreement are the Confidential Information of both Parties. However, each Party shall be entitled to disclose the terms of this Agreement under legally binding obligations of confidence and limited use to: legal, financial and investment banking advisors; and potential and actual investors, lenders, financing sources, Change of Control counterparties, acquirers, collaborators, sublicensees and licensees and counsel for the foregoing. In addition, if legally required, a copy of this Agreement may be filed by either Party with the SEC (or relevant ex-U.S. counterpart). In that case, the filing Party will if requested by the other Party diligently seek confidential treatment for terms of this Agreement for which confidential treatment is reasonably available, and shall provide the non-filing Party reasonable advance notice of the terms proposed for redactions and a reasonable opportunity to request that the filing Party make additional redactions to the extent confidential treatment is reasonably available under the law. The filing Party shall seek and diligently pursue such confidential treatment requested by the non-filing Party.

6.5 Return of Confidential Information. Promptly after the termination or expiration of this Agreement for any reason, each Party shall return to the other Party all tangible manifestations of such other Party's Confidential Information at that time in the possession of the receiving Party; *provided, however*, that the receiving Party shall be entitled to retain one (1) copy of such information solely for the purpose of monitoring such Party's surviving obligations under this Agreement. Electronic copies of Confidential Information contained in backups or electronic archives made in the normal course of the receiving Party's business shall not be required to be destroyed or returned in accordance with this Section 6.5.

6.6 Publicity. Each of Adimab and Surface may publish a press release describing the collaboration, but without identifying the targets to be worked on or the economic terms of the collaboration. The Parties will agree on specific press release language promptly following the Effective Date. Other than repeating information in such press release (or any subsequent mutually agreed press release), neither Party will generate or allow any further publicity regarding this Agreement or the transaction or research contemplated hereunder in which the other Party is identified, without giving the other Party the opportunity to review and comment on the press release. The Parties recognize the importance of announcing Commercial Option exercise and the achievement of Milestones, and that Adimab is entitled to disclose these occurrences; *provided, however*, that Adimab may disclose the identity of Surface but will not disclose the identity of any of Surfaces' licensees, sublicensees or collaborators (if applicable) or the identity of the Target or the possible indication(s) (although the class of protein of the Target (but not the family) may be disclosed). Accordingly, the Parties hereby agree that each such event shall be publicly announced by the Parties if requested by Adimab, and the Parties shall mutually agree upon the text of a press release to announce each such event. Surface shall not unreasonably withhold its consent to the manner in which Adimab proposes to make such disclosure. It is understood and agreed that Adimab sometimes issues press releases that group multiple achievements of the company, and that if Adimab chooses to group the initially approved text or the announcement of Commercial Option exercise and/or a milestone achievement under this Agreement with other accomplishments or events not relating to this Agreement, then the only portion of the press release into which the Surface shall have a consent right (such consent not to be unreasonably withheld), shall be those portions that relate to this Agreement.

6.7 Certain Data. Notwithstanding this Article 6, without disclosing Surface's (or any of its Affiliates' or licensees', sublicensees' or collaborators') identity or the identity of the Target or the possible indication(s), or information making such identities or indications reasonably discernable (although the class of protein of the Target (but not the family) may be disclosed), or the sequence of any Program Antibody, in order to describe the general capabilities and performance of the Adimab platform, Adimab shall be entitled to disclose generally Program Antibody attributes , including the following: (a) Program Antibody binding affinities (KD), (b) expression range regarding Program Antibodies, and (c) germline distribution of Program Antibodies.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES.

7.1 Mutual. Each of Adimab and Surface hereby represents and warrants to the other of them that the representing and warranting Party is duly organized in its jurisdiction of incorporation; that the representing and warranting Party has the full power and authority to enter into this Agreement; that this Agreement is binding upon the representing and warranting Party; that this Agreement has been duly authorized by all requisite corporate action within the representing and warranting Party; and that the execution, delivery and performance by the representing and warranting Party of this Agreement and its compliance with the terms and conditions hereof does not and shall not conflict with or result in a breach of any of the terms and conditions of or constitute a default under (a) any agreement or other instrument binding or affecting it or its Affiliate or the property of either of them, (b) the provisions of its bylaws or other governing documents or (c) any order, writ, injunction or decree of any governmental authority entered against it or by which any of its property is bound.

7.2 Adimab. Adimab hereby represents, warrants and covenants to Surface that:

(a) [***]

(b) [***]

7.3 DISCLAIMER OF WARRANTIES. OTHER THAN THE EXPRESS WARRANTIES OF SECTIONS 7.1 AND 7.2, EACH PARTY DISCLAIMS ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR THAT ANY PRODUCTS DEVELOPED UNDER THIS AGREEMENT ARE FREE FROM THE RIGHTFUL CLAIM OF ANY THIRD PARTY, BY WAY OF INFRINGEMENT OR THE LIKE OR THAT ANY PROGRAM PATENTS WILL ISSUE OR BE VALID OR ENFORCEABLE.

ARTICLE 8

INDEMNIFICATION

8.1 By Adimab. Adimab hereby agrees to indemnify, defend and hold harmless (collectively, "**Indemnify**") Surface, its Affiliates and its and their directors, officers, agents and employees (collectively, "**Surface Indemnitees**") from and against any and all liability, loss, damage or expense (including without limitation reasonable attorney's fees) (collectively, "**Losses**") they may suffer as the result of Third-Party claims, demands and actions (collectively, "**Third-Party Claims**") arising out of or relating to (a) any breach of a representation or warranty or covenant made by Adimab under Article 7 or otherwise of this Agreement, or (b) arising out of or in connection with or attributable to Adimab's negligence, gross negligence or willful misconduct in performance of any Research Plan, except to the extent of any Losses [***].

8.2 By Surface. Surface hereby agrees that it and its licensees and sublicensees shall Indemnify Adimab, its Affiliates and its and their directors, officers, agents and employees (collectively, "**Adimab Indemnitees**") from and against any and all Losses they may suffer as the result of Third-Party Claims arising out of or relating to (a) any breach of a representation or warranty or covenant made by Surface under Article 7 or otherwise of this Agreement, (b) Surface's research, testing, development, manufacture, use, sale, distribution, licensing and/or commercialization of Program Antibodies and/or Licensed Products (or Program-Benefited Antibodies or products incorporating them), (c) Target-related intellectual property (including Patents directed to antibodies based on their interaction with a Target), (d) Target-related or Surface Materials-related contractual obligations of Surface and its Affiliates, or (e) intellectual property applying to any Program Antibody based on its sequence or other characteristics (it being understood and agreed in accordance with Section 5.4(c) that Adimab does not perform intellectual property searches on Program Antibodies (including sequence-based searches) and this is the responsibility of Surface), except in each case to the extent of any Losses [***].

8.3 Procedures. Each of the foregoing agreements to Indemnify is conditioned on the relevant Adimab Indemnitees or Surface Indemnitees (i) providing prompt written notice of any Third-Party Claim giving rise to an indemnification obligation hereunder, (ii) permitting the indemnifying Party to assume full responsibility to investigate, prepare for and defend against any such Third-Party Claim, (iii) providing reasonable assistance in the defense of such claim at the indemnifying Party's reasonable expense, and (iv) not compromising or settling such Third-Party Claim without the indemnifying Party's advance written consent. If the Parties cannot agree as to the application of the foregoing Sections 8.1 and 8.2, each may conduct separate defenses of the Third-Party Claim, and each Party reserves the right to claim indemnity from the other in accordance with this Article 8 upon the resolution of the underlying Third-Party Claim.

8.4 Limitation of Liability. EXCEPT TO THE EXTENT SUCH PARTY MAY BE REQUIRED TO INDEMNIFY THE OTHER PARTY UNDER THIS ARTICLE 8 (INDEMNIFICATION) OR AS REGARDS A BREACH OF A PARTY'S RESPONSIBILITIES PURSUANT TO ARTICLE 6 (CONFIDENTIALITY; PUBLICITY), NEITHER PARTY NOR ITS RESPECTIVE AFFILIATES SHALL BE LIABLE FOR ANY SPECIAL, INDIRECT, EXEMPLARY, CONSEQUENTIAL OR PUNITIVE DAMAGES HEREUNDER, WHETHER IN CONTRACT, WARRANTY, TORT, STRICT LIABILITY OR OTHERWISE.

ARTICLE 9

TERM.

9.1 Term. The term of this Agreement shall commence on the Effective Date and shall expire upon the later of (a) the earlier of (i) the expiration of the Commercial Option(s) and Research Option(s) (if they expire without being exercised), and (ii) expiration of 12 months from the Effective Date without Surface providing Surface Materials that successfully pass Adimab's QC; or (b) if at least one Research Option has been exercised but no Commercial Option has been exercised, upon the expiration of the last to expire Research License Term; or (c) on a country-by-country and Licensed Product-by-Licensed Product basis on the expiration of the last Royalty Term for a Licensed Product in the particular country, in each case, unless earlier terminated by a Party as set forth below in this Article 9. On expiration under (c) in a particular country, the license of Section 3.3(b)(ii) for the corresponding Licensed Product and its Licensed Antibody shall automatically convert to be perpetual, irrevocable, non-exclusive and fully-paid up in such country.

9.2 Material Breach.

(a) Either Party may terminate this Agreement for the material breach of this Agreement by the other Party, if such breach remains uncured [***] days following notice from the non-breaching Party to the breaching Party specifying such breach.

(b) For Targets for which the Commercial Option or Research Option has been exercised, the foregoing Section 9.2(a) applies on a Target-by-Target basis to the extent that a breach relates to specific Targets, and such termination shall be applicable to only those Targets (and its associated Patents, Licensed Antibodies, Licensed Research Antibodies, and Licensed Products) to which the uncured the material breach relates.

(c) If there is a good faith dispute as to the existence or cure of a breach or default pursuant to Section 9.2(a), all applicable cure periods will be tolled during the existence of such good faith dispute and no termination for a breach which is disputed in good faith will become effective until such dispute is resolved pursuant to the process set forth in Section 10.2 and a [***] day cure period offered thereafter.

9.3 Termination for Convenience. Surface may terminate this Agreement in its entirety on [***] prior written notice to Adimab. On a Target-by-Target basis, after Commercial Option or Research Option exercise, Surface may also terminate this Agreement as to all Licensed Antibodies, Licensed Research Antibodies and Licensed Products to a particular Target by [***] prior written notice to Adimab.

9.4 Commitments Regarding Program-Benefited Antibodies. The Parties intend that if Surface, its licensees, or its sublicensees, or the Affiliate of any of the foregoing, will pursue any Program-Benefited Antibodies, they shall do so under this Agreement paying fees to Adimab as provided in Article 4. This Agreement gives Surface, its licensee, its sublicensee or the Affiliate of any of the foregoing the right to modify the Program Antibodies, by including modified versions of them and derivatives of them in the definition of "Licensed Antibodies" provided above. Surface, its licensee, its sublicensee or the Affiliate of any of the foregoing shall even be entitled to choose to pursue or use information obtained under this Agreement from Adimab to pursue an antibody not covered by the Program Antibody Patents, but only if Surface, its licensee, its sublicensee or the Affiliate of any of the foregoing treats the pursued antibody as milestone- and royalty-bearing under this Agreement to the extent such pursued antibody is a Program-Benefited Antibody. The Parties intend that Surface, its licensee, its sublicensee or the Affiliate of any of the foregoing shall not develop or commercialize a Program-Benefited Antibody, except in accordance with this Agreement (including exercising the Commercial Option and paying Adimab the Commercial Option Fee, Milestone Payments and royalties on the Program-Benefited Antibody product as (or as if) a Licensed Product under this Agreement). Accordingly, even if this Agreement expires or terminates (other than an expiration under Section 9.1 following a Commercial Option exercise after all Royalty Terms have expired for the applicable Program-Benefited Antibody or Licensed Product), Surface hereby covenants that Surface, its licensees and sublicensees and the Affiliates of any of the foregoing (a) shall not research, develop or commercialize any Program-Benefited Antibody or Licensed Product containing such an antibody except as a Licensed Product under this Agreement, and (b) shall not license or otherwise grant rights to any entity to do the foregoing.

9.5 Survival in All Cases. Termination of this Agreement shall be without prejudice to or limitation on any other remedies available to nor any accrued obligations of either Party. In addition, Sections 2.3, 2.4, 2.5, 2.6, 3.5, 4.8 through 4.16 (with respect to payment obligations outstanding or having accrued as the effective date of termination or expiration), 5.1, 5.2, 5.4, 5.6, and 7.3, and Articles 1, 6, 8, 9 and 10 shall survive any expiration or termination of this Agreement. Further, upon termination of this Agreement by either Party under Section 9.2 or 9.3, Surface, its licensees and sublicensees, and their Affiliates will no longer develop or commercialize any Licensed Antibody or Licensed Product (subject to Section 9.2(b) for partial terminations).

9.6 Survival of Sublicenses. In the event that the licenses granted to Surface under this Agreement are terminated, any granted sublicenses to Third Parties will remain, at any such Third Party's election, in full force and effect; provided, that the sublicense agreement is consistent with the terms of this Agreement, the sublicensee is not then in breach of its sublicense agreement, and such Third Party agrees to be bound to Adimab as a licensor under the terms and conditions of this Agreement (including payment obligations as reflected in this Agreement with respect to Adimab). In such event, Adimab will negotiate and enter into an appropriate license agreement with such Third Party incorporating the terms and conditions of this Agreement.

9.7 Bankruptcy. All licenses and rights to licenses granted under or pursuant to this Agreement by Adimab to Surface are, and will otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the "**Bankruptcy Code**"), licenses of rights to "intellectual property" as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that Surface, as a licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code. The Parties further agree that that upon commencement of a bankruptcy proceeding by or against Adimab under the Bankruptcy Code, Surface will be entitled to a complete duplicate of, or complete access to (as Surface deems appropriate), all such intellectual property and all embodiments of such intellectual property. Such intellectual property and all embodiments of such intellectual property will be promptly delivered to Surface (a) upon any such commencement of a bankruptcy proceeding and upon written request by Surface, unless Adimab elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of Adimab and upon written request by the Surface. Adimab (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) agrees not to interfere with the exercise by Surface or its Affiliates of its rights and licenses to such intellectual property and such embodiments of intellectual property in accordance with this Agreement, and agrees to assist Surface and its Affiliates in obtaining such intellectual property and such embodiments of intellectual property in the possession or control of Third Parties as reasonably necessary or desirable for Surface to exercise such rights and licenses in accordance with this Agreement. The foregoing provisions are without prejudice to any rights Surface may have arising under the Bankruptcy Code or other applicable law. Notwithstanding the foregoing in this Section 9.7, nothing in this Section 9.7 shall be read to entitle Surface to obtain disclosure of or access to Adimab Platform Technology (including Adimab Platform Technology Improvements), whether or not as an "embodiment," "update," or otherwise, at any time, and Surface shall not under any circumstances notwithstanding anything express or implied in this Agreement be entitled to disclosure of Adimab Platform Technology or Adimab Platform Technology Improvements.

9.8 Return of Adimab Materials. Except as otherwise provided in Section 2.4, on a Target-by-Target basis, Surface shall either return to Adimab or destroy all Adimab Materials (other than Adimab Materials relating to Licensed Antibodies) upon expiration or termination of the Evaluation Term without any Commercial Option or Research Option being exercised, and all Adimab Materials on expiration (other than for any Licensed Product and the corresponding Licensed Antibody an expiration under Section 9.1 following a Commercial Option exercise and after all Royalty Terms for such Licensed Product have expired) or termination of this Agreement.

ARTICLE 10

MISCELLANEOUS.

10.1 Independent Contractors. The Parties shall perform their obligations under this Agreement as independent contractors. Nothing contained in this Agreement shall be construed to be inconsistent with such relationship or status. This Agreement and the Parties' relationship in connection with it shall not constitute, create or in any way be interpreted as a joint venture, fiduciary relationship, partnership or agency of any kind.

10.2 Dispute Resolution.

(a) Initial Dispute Resolution. Either Party may refer any dispute in connection with this Agreement ("**Dispute**") not resolved by discussion of the BD/Contract Liaisons to senior executives of the Parties (for Adimab, its CEO or his designee and for Surface, its CEO or his designee) for good-faith discussions over a period of not less than sixty (60) days (the "**Senior Executives Discussions**"). Each Party will make its executives reasonably available for such discussions.

(b) Disputes Not Resolved Between the Parties. If the Parties are unable to resolve the dispute through the Senior Executives Discussions within such sixty (60) days, then either Party may, as the sole and exclusive means for resolving disputes under this Agreement, proceed to demand confidential arbitration by written notice to the other Party and making a filing with the AAA in accordance with Section 10.2(c). For clarity, each Party hereby acknowledges that both the fact of and nature of a dispute is the Confidential Information of both Parties, and any disclosure of the fact of or the nature of such a dispute would be highly damaging to the non-disclosing Party.

(c) Arbitration.

(i) Any Dispute referred for arbitration shall be finally resolved by binding arbitration in accordance with the most applicable rules of the American Arbitration Association (" **AAA**") and judgment on the arbitration award may be entered in any court having jurisdiction.

(ii) The arbitration shall be conducted by a panel of three (3) people experienced in the business of biopharmaceuticals. If the issues in dispute involve scientific, technical or commercial matters, then any arbitrator chosen under this Agreement shall have educational training and/or industry experience sufficient to demonstrate a reasonable level of relevant scientific, technical and commercial knowledge as applied to the pharmaceutical industry. If the issues in dispute involve patent matters, then at least one (1) of the arbitrators shall be a licensed patent attorney or otherwise knowledgeable about patent law matters. Within [***] days after a Party demands arbitration, each Party shall select one person to act as arbitrator, and the two Party-selected arbitrators shall select a third arbitrator within [***] days after their own appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, then the third arbitrator shall be appointed by the AAA. The place of arbitration shall be Boston, Massachusetts. All proceedings and communications as part of the arbitration shall be in English. Following selection of the third arbitrator, the arbitrators shall complete the arbitration proceedings and render an award within [***] months after the last arbitrator is appointed.

(iii) Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees or arbitration, unless in each case the arbitrators agree otherwise, which they are hereby empowered, authorized and instructed to do if they determine that to be fair and appropriate.

(iv) Except to the extent necessary to confirm an award or as may be required by law, regulation, or the requirement of any exchange on which a Party's shares are traded, neither Party shall disclose the existence, content or results of an arbitration under this Agreement without the prior written consent of the other Party.

(v) In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the subject matter of the Dispute would be barred by the applicable statute of limitations under New York law.

10.3 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, excluding its conflicts of laws principles; *provided, however*, that matters of Patent law will be determined in accordance with the United States federal law. Any and all judicial resolutions of disputes in connection with this Agreement shall be in federal or state court located in Massachusetts, and each Party hereby consents to the jurisdiction and venue of such courts, and waives all defenses it may have to such jurisdiction and venue, including that the court cannot assert personal jurisdiction over the defendant and *forum non conveniens*.

10.4 Entire Agreement. This Agreement (including its Exhibits) set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties with respect to the subject matter hereof and supersedes and terminates all prior agreements and understandings between the Parties with respect to such subject matter (including that certain Mutual Confidentiality Agreement between the Parties dated March 27, 2014). No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by the respective authorized officers of the Parties.

10.5 Assignment. Neither Party may assign in whole or in part this Agreement without the advance written consent of the other Party, except as set forth in the following sentence. Either Party may assign this Agreement in its entirety to the successor to all or substantially all of its stock or assets to which this Agreement relates in connection with its merger with, or the sale of all or substantially all of its stock or assets to which this Agreement relates to, another entity, regardless of the form of the transaction (including any Change of Control). In addition, Adimab may assign this Agreement or any of its rights under this Agreement, in connection with the sale of, monetization of, transfer of, or obtaining financing on the basis of the payments due to Adimab under this Agreement or debt or project financing in connection with this Agreement. Also, Surface may assign its rights and obligations under this Agreement on a Target-by-Target basis, at any time after Commercial Option exercise for the particular Target, to any entity to which Surface assigns all or substantially all of its assets with respect to such Target (and its related Patents, Licensed Antibodies and Licensed Products); *provided, however*, [***]. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. Notwithstanding the foregoing, Adimab may not assign or otherwise transfer (by operation of law or otherwise) this Agreement if the assignee does not assume all of Adimab's obligations under this Agreement or Adimab does not remain bound to perform all obligations that are not assigned to the assignee. Any assignment of this Agreement not made in accordance with this Agreement is prohibited hereunder and shall be null and void.

10.6 Severability. If one or more of the provisions in this Agreement are deemed unenforceable by law, then such provision shall be deemed stricken from this Agreement and the remaining provisions shall continue in full force and effect.

10.7 Force Majeure. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by a Force Majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting Force Majeure continues and the nonperforming Party takes reasonable efforts to remove the condition, but no longer than [***], whereupon the other Party may assert breach by the nonperforming Party.

10.8 Notices. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement and shall be deemed to have been sufficiently given for all purposes if mailed by first class certified or registered mail, postage prepaid, delivered by express delivery service or personally delivered. Unless otherwise specified in writing, the mailing addresses of the Parties shall be as described below.

If to Adimab:

Adimab, LLC
7 Lucent Drive
Lebanon, NH 03766
Attention: General Counsel

with a required copy to:

Attention: Head, Business Development at the same address.

In the case of Surface:

Surface Oncology, Inc.
25 First Street
Suite 303
Cambridge, MA 02141
Attn: Chief Executive Officer

10.9 Construction. This Agreement has been prepared jointly and shall not be strictly construed against either Party. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision.

10.10 Headings. The headings for each article and section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on, nor to be used to interpret, the meaning of the language contained in the particular article or section.

10.11 No Waiver. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the subsequent enforcement of its rights under this Agreement, excepting only as to an express written and signed waiver as to a particular matter for a particular period of time executed by an authorized officer of the waiving Party.

10.12 Performance by Affiliates. A Party may perform some or all of its obligations under this Agreement through Affiliate(s) or may exercise some or all of its rights under this Agreement through Affiliates, or in the case of Adimab, Controlled Contractors, which will be treated as "Affiliates" for purposes of this Section 10.12. However, each Party shall remain responsible and be guarantor of the performance by its Affiliates and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. In particular and without limitation, all Affiliates of a Party that receive Confidential Information of the other Party pursuant to this Agreement shall be governed and bound by all obligations set forth in Article 6, and shall (to avoid doubt) be subject to the intellectual property assignment and other intellectual property provisions of Article 5 as if they were the original Party to this Agreement (and be deemed included in the actual Party to this Agreement for purposes of all intellectual property-related definitions). A Party and its Affiliates shall be jointly and severally liable for their performance under this Agreement.

10.13 Counterparts. This Agreement may be executed in one or more identical counterparts, each of which shall be deemed to be an original, and which collectively shall be deemed to be one and the same instrument. In addition, signatures may be exchanged by facsimile or PDF.

[Remainder of Page Left Intentionally Blank; Signature Page Follows]

In Witness Whereof, the Parties have by duly authorized persons executed this Agreement as of the Effective Date.

Surface Oncology, Inc.:		**Adimab, LLC:**	
By:	/s/ J. Jeffrey Goater	By:	/s/ Tillman Gerngross
Title:	CEO	Title:	CEO
Date:	10/4/2018	Date:	10/3/2018

Exhibits List

A – Target Questionnaire

B – Form Of Research Plan

Partner Target Questionnaire

Selection of Human Antibodies Binding To Target

Adimab
The power of integration.

Partner Completed Target Questionnaire

Information you are able to provide about your target will help Adimab design a customized selection strategy and detailed work plan. This will ultimately allow Adimab to deliver antibodies that fit your desired properties.

Overview

The primary factors that determine the successful outcome of an IgG library screen are

(i) the quality of the antibody library

(ii) the quality and consistency of the antigens used in the selection process

While Adimab has taken extensive steps to ensure the quality of its libraries, the antigen used to interrogate our library is provided by the Partner and must be properly characterized to meet screening requirements. Adimab has compiled the following set of criteria to help ensure the quality of the antigen(s) used in the selection process which will ultimately lead to a successful campaign. Any additional information the Partner can provide relating to your antigen is valuable. **When multiple forms of the antigen are available, and are used in the selection, it increases the potential success of the campaign.** As an example, an RTK-ECD can be supplied as both an Fc-fusion protein and as a tagged monomeric protein, or produced and purified using preferred host expression systems and purification tags.

Target (sample answers provided below in blue**)**

- What is the nature of your target (e.g., extracellular domain of a membrane protein)?
    - Serum enzyme
- Does your target protein have an affinity tag?
    - If yes, what tag?
        - C-terminus His-tag
- Are you aware of any post-translational modification to your target protein (e.g., N-glycosylation, O-glycosylation or phosphorylation)?
    - None

- Is your target a chimeric protein (e.g., Fc-fusion protein)?
    - No
- Does your target protein interact with other proteins or form complexes?
    - Yes
- Does your target exist naturally as a monomer, dimer, trimer, etc.?
    - Target is naturally monomeric
- Is your target available in multiple formats (e.g., monomeric, dimeric, multiple tags, etc.)?
    - No
- How stable is your target protein (e.g., stability @ 4°C, freeze thaw cycle data)?
    - Stable at +4°C for months
- Do you have access to 10 nmol quantities (e.g., ~1 mg of 75 kDa protein) of your target protein?
    - Yes
- Do you have cell-based or other assays to determine the bioactivity of your target?
    - Yes, there are cell-based assays in place
- Is cross-reactivity of your final antibody essential (e.g., cross-reactivity to murine, cynomolgus or macaque target)?
    - Cross-reactivity to murine and macaca ortholog mandatory
- If yes, what is the homology between antigens?
    - Specificity versus family members is mandatory. Family members are also available

Mode of action

- Could you describe the profile of your "ideal antibody" (e.g., affinity, specificity, mechanism of action, expressability, etc.)?
    - Affinity to human and murine targets: Kd ≤ 10 nM and koff ≤ 5x10-4s-1
    - Specificity: selective versus family members and cross reactive with murine and macaca targets. Competes with control mAb provided
- Do you wish to disrupt a protein-protein interaction (e.g., a receptor-ligand interaction or dimerization)?
    - We do not know at this stage
- Do you have an existing antibody (murine or other) that binds to your target?
    - Yes
- If yes, does the antibody have the "biology" you are looking for?
    - We have already mAbs close to what we are looking for, that we'll use internally for comparison
- Are you looking to discover an antibody against a known epitope?
    - No
- Can you describe the desired biological mode of action for the antibodies to be discovered?
    - No
- What *in vitro* and *in vivo* screening assays are you planning to do in-house with purified IgGs discovered by Adimab?
- Is ADCC expected to be important?
    - ADCC not important

Work Plan

Human Antibodies Binding To

Goal:

TABLE OF CONTENTS

Profile of Desired Antibody

Section A: RESEARCH PLAN

Research Materials

Overview of Project Flow

Phase 1: Reagent Generation

Phase 3: Assessment of IgGs

Phase 4: Optimization of nominated IgGs

Phase 5: Analysis of IgGs

Phase 6: Scaling of IgGs or Fabs

Exhibit 31.1

Certification of Principal Executive Officer and 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, J. Jeffrey Goater, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Surface Oncology, 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(s) 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)) 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) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

   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 changes 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(s) 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.

Dated: November 13, 2018

/s/ J. Jeffrey Goater

J. Jeffrey Goater
Chief Executive Officer
(Principal Executive, Financial and
Accounting Officer)

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 Surface Oncology, Inc. (the "Company") for the period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, J. Jeffrey Goater Chief Executive Officer of the Company, hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, 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, as amended; 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: November 13, 2018

/s/ J. Jeffrey Goater

J. Jeffrey Goater
Chief Executive Officer
(Principal Executive, 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.