# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2021**

**OR**

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

**For the transition period from _____ to _____.**

**Commission File Number: 001-38459**

# 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**

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

| Title of each class | Trading Symbol(s) | Name of exchange on which registered |
|---|---|---|
| Common stock, $0.0001 | SURF | The Nasdaq Global Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S 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 S 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 | S | Small reporting company | S |
| Emerging growth Company | S | | |

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. S

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

As of April 30, 2021, the registrant had 43,428,820 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 third parties;
- the impact of COVID-19 on our business operations and that of our third-party manufacturers and suppliers;
- 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 collaborations with Novartis and GSK, 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;
- our ability to raise capital to fund operations;
- 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.

## Table of Contents

## PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements.**

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

**(in thousands, except share and per share data)**

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 100,526 | $ 175,141 |
| Marketable securities | 70,491 | — |
| Prepaid expenses and other current assets | 8,029 | 5,368 |
| Total current assets | 179,046 | 180,509 |
| Property and equipment, net | 6,258 | 6,664 |
| Operating lease right-of-use asset | 27,409 | 27,911 |
| Restricted cash | 1,595 | 1,595 |
| Other assets | 438 | 459 |
| Total assets | $ 214,746 | $ 217,138 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 2,316 | $ 1,674 |
| Accrued expenses and other current liabilities | 5,438 | 10,448 |
| Convertible note payable | 1,620 | — |
| Operating lease liability | 5,546 | 5,529 |
| Total current liabilities | 14,920 | 17,651 |
| Operating lease liability, non-current | 28,432 | 28,981 |
| Convertible note payable, non-current | 12,347 | 14,759 |
| Total liabilities | 55,699 | 61,391 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value per share; 5,000,000 shares authorized at March 31, 2021 and December 31, 2020; no shares issued and outstanding at March 31, 2021 and December 31, 2020 | — | — |
| Common stock, $0.0001 par value; 150,000,000 shares authorized at March 31, 2021 and December 31, 2020, respectively; 43,420,841 and 40,707,047 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively | 5 | 4 |
| Additional paid-in capital | 236,862 | 218,001 |
| Accumulated other comprehensive loss | (1) | — |
| Accumulated deficit | (77,819) | (62,258) |
| Total stockholders' equity | 159,047 | 155,747 |
| Total liabilities and stockholders' equity | $ 214,746 | $ 217,138 |

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

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

**(in thousands, except share and per share data)**

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Collaboration revenue - related party | $ — | $ 38,592 |
| License related revenue | 1,626 | — |
| Total revenue | $ 1,626 | $ 38,592 |
| Operating expenses: | | |
| Research and development | 10,544 | 11,288 |
| General and administrative | 5,641 | 4,787 |
| Total operating expenses | 16,185 | 16,075 |
| Income (loss) from operations | (14,559) | 22,517 |
| Interest expense | (1,024) | (340) |
| Other income (expense), net | 22 | 393 |
| Net income (loss) | (15,561) | 22,570 |
| Net income (loss) per share attributable to common stockholders— basic | $ (0.37) | $ 0.81 |
| Weighted average common shares outstanding— basic | 41,619,362 | 27,977,145 |
| Net income (loss) per share attributable to common stockholders— diluted | $ (0.37) | $ 0.74 |
| Weighted average common shares outstanding— diluted | 41,619,362 | 30,917,452 |
| Comprehensive income (loss): | | |
| Net income (loss) | $ (15,561) | $ 22,570 |
| Other comprehensive income (loss): | | |
| Unrealized gain (loss) on marketable securities, net of tax of $0 | (1) | 67 |
| Comprehensive income (loss) | $ (15,562) | $ 22,637 |

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

**SURFACE ONCOLOGY, INC.**
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)**

**(in thousands, except share amounts)**

| | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Stockholders' Equity |
| **Balances at December 31, 2020** | 40,707,047 | $ 4 | $ 218,001 | $ — | $ (62,258) | $ 155,747 |
| Issuance of common stock upon exercise of stock options | 55,761 | — | 148 | — | — | 148 |
| Issuance of common stock under stock purchase plan | 19,377 | — | 118 | — | — | 118 |
| Issuance of common stock upon public offering, net of issuance costs | 1,677,118 | 1 | 14,715 | — | — | 14,716 |
| Issuance of common stock upon conversion of convertible note payable | 961,538 | — | 1,500 | — | — | 1,500 |
| Stock-based compensation expense | — | — | 2,380 | — | — | 2,380 |
| Unrealized gain on marketable securities | — | — | — | (1) | — | (1) |
| Net loss | — | — | — | — | (15,561) | (15,561) |
| **Balances at March 31, 2021** | 43,420,841 | $ 5 | $ 236,862 | $ (1) | $ (77,819) | $ 159,047 |

| | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total Stockholders' Equity |
| **Balances at December 31, 2019** | 27,893,337 | $ 3 | $ 178,155 | $ 103 | $ (121,595) | $ 56,666 |
| Issuance of common stock upon exercise of stock options | 27,832 | — | 10 | — | — | 10 |
| Issuance of common stock under stock purchase plan | 49,025 | — | 83 | — | — | 83 |
| Issuance of common stock upon public offering, net of issuance costs | 91,003 | — | 320 | — | — | 320 |
| Stock-based compensation expense | — | — | 1,850 | — | — | 1,850 |
| Unrealized gain on marketable securities | — | — | — | 67 | — | 67 |
| Net income | — | — | — | — | 22,570 | 22,570 |
| **Balances at March 31, 2020** | 28,061,197 | $ 3 | $ 180,418 | $ 170 | $ (99,025) | $ 81,566 |

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)**

| | Three months ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ (15,561) | $ 22,570 |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization expense | 406 | 457 |
| Stock-based compensation expense | 2,380 | 1,850 |
| Non-cash interest expense related to note payable | 708 | 176 |
| Net amortization of premiums and discounts on marketable securities | 142 | (42) |
| Loss on disposal of property and equipment | — | 1 |
| Non-cash operating lease cost | 502 | 587 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | (2,661) | (444) |
| Other assets | 21 | (138) |
| Accounts payable | 642 | (2,651) |
| Accrued expenses and other current liabilities | (5,010) | (467) |
| Operating lease liability | (532) | 17 |
| Other liabilities | — | 1,100 |
| Deferred revenue - related party | — | (38,592) |
| Net cash used in operating activities | (18,963) | (15,576) |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | — | (23) |
| Purchases of marketable securities | (70,634) | (650) |
| Proceeds from sales or maturities of marketable securities | — | 25,500 |
| Net cash provided by (used in) investing activities | (70,634) | 24,827 |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of common stock upon public offering, net | 14,716 | 320 |
| Proceeds from employee stock purchases | 118 | 83 |
| Proceeds from exercise of stock options | 148 | 10 |
| Net cash provided by financing activities | 14,982 | 413 |
| **Net increase (decrease) in cash and cash equivalents and restricted cash** | (74,615) | 9,664 |
| Cash and cash equivalents and restricted cash at beginning of period | 176,736 | 48,350 |
| Cash and cash equivalents and restricted cash at end of period | $ 102,121 | $ 58,014 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ 327 | $ 180 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Additional right-of-use asset and related lease liability | $ — | $ 15,003 |
| Conversion of note payable into shares of common stock | $ 1,500 | $ — |

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

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

## 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 (“TME”) 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 May 22, 2020, the Company entered into a Capital on Demand™ Sales Agreement (the “2020 Sales Agreement”) with JonesTrading to issue and sell shares of the Company’s common stock of up to $50,000 in gross proceeds, from time to time during the term of the 2020 Sales Agreement, through an “at-the-market” equity offering program under which JonesTrading will act as the Company’s agent and/or principal (the “2020 ATM Facility”). The 2020 ATM Facility provides that JonesTrading will be entitled to compensation for its services in an amount of up to 3.0% of the gross proceeds of any shares sold under the 2020 ATM Facility. The Company has no obligation to sell any shares under the 2020 ATM Facility and may, at any time, suspend solicitation and offers under the 2020 Sales Agreement. In the three months ended March 31, 2021, the Company sold 1,677,118 shares of common stock at-the-market under the 2020 Sales Agreement, resulting in net proceeds of approximately $14,716. The Company did not sell any shares of common stock at-the-market under the 2020 Sales Agreement in 2020.

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 private and public sales of its securities, proceeds from a collaboration agreement with Novartis Institutes for Biomedical Research, Inc. (“Novartis”), proceeds from a license agreement with GlaxoSmithKline ("GSK") and issuance of a debt facility with K2 Health Ventures LLC. The Company has a history of incurring losses and negative cash flows from operations. As of March 31, 2021, the Company had an accumulated deficit of $77,819.

The Company expects that its operating losses and negative cash flows will continue for the foreseeable future. As of May 5, 2021, the issuance 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, debt service obligations and capital expenditure requirements for at least the next 12 months. 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 financings, 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.

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

The ongoing global outbreak of the novel coronavirus disease ("COVID-19") has resulted in significant governmental measures being implemented to control the spread of the virus and while the Company cannot predict their scope or the severity of the outbreak, these developments and measures could materially and adversely affect the Company's business, the Company's results of operations and financial condition. The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business and has taken steps to minimize its impact on the Company's business. Although COVID-19 has not yet had a material adverse impact on our operations and our clinical and preclinical programs, the extent to which COVID-19 ultimately impacts the Company's business, results of operations or financial condition will depend on future developments which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, new information that may emerge concerning the severity of COVID-19 or the effectiveness of actions taken to contain the pandemic or mitigate its impact, among others. Furthermore, for the safety of its employees, the Company has reduced the presence of its employees in the Company's corporate office and is working with third parties to conduct certain experiments and studies for its research programs. Certain of the Company's third-party service providers have also experienced shutdowns or other business disruptions. As a result, the Company's ability to conduct its business in the manner and on the timelines presently planned could be materially or negatively affected, which could have a material adverse impact on the Company's business, results of operations and financial condition.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation*

The accompanying condensed 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 2 to the financial statements included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on March 9, 2021.

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

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

***Unaudited Interim Financial Information***

The accompanying condensed consolidated balance sheet as of March 31, 2021, the condensed consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2021 and 2020, the condensed consolidated statements of cash flows for the three months ended March 31, 2021 and 2020, and the condensed consolidated statement of stockholders' equity for the three months ended March 31, 2021 and 2020 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 March 31, 2021 and the results of its operations and its cash flows for the three months ended March 31, 2021 and 2020. The financial data and other information disclosed in these notes related to the three months ended March 31, 2021 and 2020 are also unaudited. The results for the three months ended March 31, 2021 are not necessarily indicative of results to be expected for the year ending December 31, 2021, any other interim periods, or any future year period.

***Recently Issued Accounting Pronouncements***

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes may result in earlier recognition of credit losses. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which narrowed the scope and changed the effective date for non-public entities for ASU 2016-13. The FASB subsequently issued supplemental guidance within ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief ("ASU 2019-05")*. ASU 2019-05 provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For public entities that are Securities and Exchange Commission filers, excluding entities eligible to be smaller reporting companies, ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. This standard will be effective for the Company on January 1, 2023. The Company is currently evaluating the potential impact that this standard may have on its condensed consolidated financial statements and related disclosures.

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 March 31, 2021, the fair value of available-for-sale marketable debt securities by type of security was as follows:

| | March 31, 2021 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Marketable debt securities: | | | | |
| U.S. Treasury notes | $ 54,561 | $ 8 | (7) | $ 54,562 |
| U.S. government agency bonds | 15,931 | 2 | (4) | 15,929 |
| | $ 70,492 | $ 10 | $ (11) | $ 70,491 |

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

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

| | March 31, 2021 | |
|---|---|---|
| | Amortized Cost | Fair Value |
| Maturing in one year or less | $ 25,349 | $ 25,355 |
| Maturing after one year | 45,143 | 45,136 |
| | $ 70,492 | $ 70,491 |

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

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 March 31, 2021 and December 31, 2020.

**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 March 31, 2021 using: | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents: | | | | |
| Money market funds | $ 68,274 | $ — | $ — | $ 68,274 |
| Cash | 35 | — | — | 35 |
| Marketable securities: | | | | |
| U.S. Treasury notes | — | 54,562 | — | 54,562 |
| U.S. government agency bonds | — | 15,929 | — | 15,929 |
| | $ 68,309 | $ 70,491 | $ — | $ 138,800 |

| | Fair Value Measurements as of December 31, 2020 using: | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents: | | | | |
| Money market funds | $ 139,266 | $ — | $ — | $ 139,266 |
| | $ 139,266 | $ — | $ — | $ 139,266 |

As of March 31, 2021 and December 31, 2020, the Company's cash equivalents were invested in money market funds, U.S Treasury notes and U.S. government agency bonds and were valued based on Level 1 and Level 2 inputs. During the three months ended March 31, 2021 and 2020, there were no transfers between Level 1, Level 2 and Level 3.

## 5. Collaboration and License Agreements

***Novartis Agreement***

In January 2016, the Company entered into a collaboration agreement with Novartis (the "Novartis Agreement"), which was subsequently amended in May 2016, July 2017, September 2017, and October 2018. Pursuant to the Novartis Agreement, the Company granted Novartis a worldwide exclusive license to research, develop, manufacture and commercialize antibodies that target cluster of differentiation 73 ("CD73"). In addition, the Company initially granted Novartis the right to purchase exclusive option rights (each an "Option") for up to four specified targets (each an "Option Target") including certain development, manufacturing, and commercialization rights. Novartis initially had the right to exercise up to three purchased Options. Under the Novartis Agreement, therefore, Novartis had the ability to exclusively license the development and manufacturing rights for up to four targets (inclusive of CD73). In January 2020, Novartis did not purchase and exercise its single remaining Option under the Novartis Agreement and, as a result, the option purchase period expired. Therefore, there are no Options remaining eligible for purchase, and potential exercise, and the Company's performance obligations under the Novartis Agreement have ended. Under the Novartis Agreement, the Company is currently entitled to potential development milestones of $325,000 and sales milestones of $200,000, as well as tiered royalties on annual net sales by Novartis ranging from high single-digit to mid-teens percentages upon the successful commercialization of NZV930 (formerly SRF373).

***Termination***

Unless terminated earlier, the Novartis Agreement will continue in effect until neither the Company nor Novartis is researching, developing, manufacturing or commercializing NZV930. Novartis may terminate the Novartis Agreement for any reason upon prior notice to the Company within a specified time period. Either party may terminate the Novartis Agreement in full 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 the Company terminates for Novartis' material breach, 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 NZV930.

***Revenue Recognition – Collaboration Revenue – Related Party***

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 accounted 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 Novartis Agreement. 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 have used a separate cost-to-cost model for purposes of revenue recognition under ASC 606.

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

In January 2020, Novartis did not purchase and exercise its single remaining Option under the Novartis Agreement and, as a result, the option purchase period expired. Future costs associated with this target were removed from the estimated total costs in the cost-to-cost model. This resulted in the Company recognizing the remaining deferred revenue of $38,592 to collaboration revenue - related party in January 2020.

For the three months ended March 31, 2021 and 2020, the Company recognized the following totals of collaboration revenue – related party:

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Collaboration revenue - related party | $ — | $ 38,592 |

***GSK Agreement***

In December 2020, the Company entered into a license agreement (the "GSK Agreement") with GlaxoSmithKline Intellectual Property (No. 4) Limited ("GSK"). Pursuant to the GSK Agreement, the Company granted GSK a worldwide, exclusive, sublicensable license to develop, manufacture and commercialize antibodies that target the antibody SRF813, targeting CD112R, also known as PVRIG (the "Licensed Antibodies"). GSK will be responsible for the development, manufacturing and commercialization of the Licensed Antibodies and a joint development committee has been formed to facilitate information sharing between the Company and GSK. Under the terms of the GSK Agreement, GSK is obligated to use commercially reasonable efforts to develop and commercialize the Licensed Antibodies.

***Development, Manufacturing and Commercialization of Licensed Antibodies***

GSK has the sole right to develop, manufacture and commercialize the Licensed Antibodies and corresponding licensed products worldwide. GSK is obligated to use commercially reasonable efforts to develop the Licensed Antibodies and corresponding licensed products. GSK is responsible for all costs and expenses of such development, manufacturing and commercialization and is obligated to provide the Company with updates on its development, manufacturing and commercialization activities through the joint development committee.

***Exclusivity***

During the term of the GSK Agreement, neither the Company, nor any affiliates, will research, develop, manufacture, or commercialize any alternative product.

***Financial Terms***

Under the terms of the GSK Agreement, GSK made a one-time upfront payment of $85,000 and is required to make additional payments to the Company for supply services and transition services estimated to be $4,499 and $950, respectively. The Company is eligible to receive up to $90,000 in clinical and $155,000 in regulatory milestones. In addition, the Company may receive up to $485,000 in sales milestone payments. The Company is also eligible to receive royalties on global net sales of any approved products based on the licensed antibodies, ranging in percentages from high single digits to mid-teens. Due to the uncertainty of pharmaceutical development and the historical failure rates generally associated with drug development, the Company may not receive any milestone payments or any royalty payments under the GSK Agreement.

***Termination***

Unless terminated earlier, the GSK Agreement expires on a licensed product-by-licensed product and country-by-country basis on the later of ten years from the date of first commercial sale or when there is no longer a valid patent claim or regulatory exclusivity covering such licensed product in such country. Either party may terminate the GSK Agreement for an uncured material breach by the other party or upon the bankruptcy or insolvency of the other party. GSK may terminate the GSK Agreement for its convenience. The Company may terminate the GSK Agreement if GSK institutes certain actions related to the licensed patents or if GSK ceases development activities, other than for certain specified technical or safety reasons. In the event of termination, the Company would regain worldwide rights to the terminated program.

***Revenue Recognition – License Related Revenue***

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.

The Company assessed the GSK Agreement in accordance with ASC 606 and concluded that GSK is a customer. The Company identified the following promises under the contract: (i) a worldwide, exclusive, sublicensable license to develop, manufacture and commercialize the Licensed Antibodies; (ii) supplying Licensed Antibodies until an Investigational New Drug application is accepted by a regulatory authority (iii) transition services until an Investigational New Drug application is accepted by a regulatory authority; and (iv) participation on the joint development and joint patent committees. The Company assessed the above promises and determined that the worldwide, exclusive, sublicensable license to develop, manufacture and commercialize the Licensed Antibodies is considered functional intellectual property and distinct from other promises under the contract. This functional license is distinct in the context of the GSK Agreement as GSK can benefit from the license on its own or together with other readily available resources. In addition, the supply and transition services are not complex or specialized, could be performed by another qualified third party, are not expected to significantly modify or customize the license to SRF813, and are expected to be performed only for a short period of time. The Company determined that the impact of participation on the joint development and joint patent committees was insignificant and had an immaterial impact on the accounting model. Based on these assessments, the Company identified three distinct performance obligations at the outset of the GSK Agreement.

The Company determined the transaction price under ASC 606 at the inception of the GSK Agreement to be $90,449, consisting of the upfront payment of $85,000 plus $4,499 for supply of the Licensed Antibodies and $950 for the transition services. The Company evaluated how much variable consideration related to clinical and regulatory milestones to include in the transaction price using the most likely amount approach and concluded that no amount should be included in the transaction price due to the high degree of uncertainty and risk associated with these potential payments. The Company also determined that royalties and sales milestones relate solely to the licenses of intellectual property and are therefore excluded from the transaction price under the sales- or usage-based royalty exception of ASC 606. Revenue related to these royalties and sales milestones will only be recognized when the associated sales occur, and relevant thresholds are met.

As noted above, the Company identified three performance obligations in the GSK Agreement: (i) the delivery of the worldwide, exclusive, sublicensable license to develop, manufacture and commercialize the Licensed Antibodies; (ii) supply of Licensed Antibodies until an Investigational New Drug application is accepted by a regulatory authority; and (iii) transition services until an Investigational New Drug application is accepted by a regulatory authority. The selling price of each performance obligation in the GSK Agreement was determined based on the Company’s standalone selling price with the objective of determining the price at which it would sell such an item if it were to be sold regularly on a standalone basis. The Company recognizes revenue for the license performance obligation at a point in time, that is upon transfer of the license to GSK. As control of the license was transferred on the effective date of December 16, 2020 and GSK could begin to use and benefit from the license, the Company recognized $85,000 of license related revenue during the year ended December 31, 2020 under the GSK Agreement. The Company will recognize $4,499 and $950 allocated to the supply services and transition services over time. The Company transfers control of these services over time and GSK receives and consumes the benefit over time as the Company performs the services. During the three months ended March 31, 2021, the Company recognized $1,264 and $362 of license related revenue related to the supply services and transition services, respectively, which represents the costs incurred for the manufacturing and transition services that were performed.

The aggregate amount of the transaction price allocated to the performance obligations that is partially unsatisfied was $1,253. The Company expects to recognize the remaining revenue associated with the GSK Agreement in the year ending December 31, 2021. As of March 31, 2021, the Company did not have a contract liability associated with the GSK Agreement. The Company will re-evaluate the transaction price at the end of each reporting period and as uncertain events are resolved, or other changes in circumstances occur, adjust its estimate of the transaction price if necessary.

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

For the three months ended March 31, 2021 and 2020, the Company recognized the following totals of license related revenue:

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| License related revenue | $ 1,626 | $ — |

## 6. Stockholders' Equity

***Common Stock***

As of March 31, 2021 and December 31, 2020, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 150,000,000 shares, 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 any outstanding preferred stock. No dividends have been declared or paid by the Company through March 31, 2021.

As of March 31, 2021 and December 31, 2020, the Company had reserved 22,050,548 and 22,728,991 shares, respectively, of common stock for the exercise of outstanding stock options, the vesting of restricted stock units, shares to be issued under the 2020 ATM Facility, shares to be issued upon the conversion of the Loan Agreement (as defined below), and the number of shares remaining available for future grant under the Company's 2018 Stock Option and Incentive Plan and 2018 Employee Stock Purchase Plan.

On May 1, 2019, the Company entered into a Capital on Demand™ Sales Agreement ("the 2019 Sales Agreement") with JonesTrading Institutional Services LLC ("JonesTrading") to issue and sell up to $30,000 in shares of the Company's common stock from time to time. In the three months ended March 31, 2020, the Company sold 91,003 shares of common stock at-the-market under the 2019 Sales Agreement, resulting in net proceeds of approximately $320. As of June 30, 2020, the Company sold 11,229,174 shares of common stock at-the-market under the 2019 Sales Agreement for net proceeds of $29,110, and had fully utilized and closed the 2019 ATM Facility.

In May 2020, the Company entered into the 2020 Sales Agreement with JonesTrading to issue and sell up to $50,000 in shares of the Company's common stock, from time to time. In the three months ended March 31, 2021, the Company sold 1,677,118 shares of common stock at-the-market under the 2020 Sales Agreement, resulting in net proceeds of approximately $14,716. The Company did not sell any shares of common stock at-the-market under the 2020 Sales Agreement in 2020.

## 7. 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.

As of December 31, 2018, all remaining shares available under the 2014 Plan were transferred to the Company's 2018 Stock Option and Incentive Plan (the "2018 Plan").

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

***2018 Stock Option and Incentive Plan***

In April 2018, the Company's 2018 Plan was approved by its stockholders and became 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 was 1,545,454, plus the shares of common stock remaining available for issuance under the 2014 Plan, which shall be cumulatively increased each January 1 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 March 31, 2021, 1,048,203 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 December 31, 2020:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2020 | 6,011,126 | $ 5.55 | 7.28 | $ 24,912 |
| Granted | 1,260,080 | 9.88 | | |
| Exercised | (55,761) | 2.65 | | |
| Forfeited | (10,158) | 5.66 | | |
| Outstanding as of March 31, 2021 | 7,205,287 | $ 6.33 | 7.53 | $ 18,115 |
| Options exercisable at March 31, 2021 | 4,134,020 | $ 5.80 | 6.56 | $ 12,065 |
| Vested and expected to vest at March 31, 2021 | 7,205,287 | $ 6.33 | 7.53 | $ 18,115 |

The weighted average grant-date fair value per share of stock options granted during the three months ended March 31, 2021 and year ended December 31, 2020 was $7.04 and $2.11, respectively.

As of March 31, 2021 and December 31, 2020, there were outstanding stock options held by non-employees for the purchase of 240,570 and 253,971 shares of common stock, respectively, with service-based vesting conditions.

***2018 Employee Stock Purchase Plan***

In April 2018, the Company's 2018 Employee Stock Purchase Plan (the "ESPP") was approved by its stockholders and became effective. A total of 256,818 shares of common stock were initially reserved for issuance under this plan. In addition, the number of shares of common stock that may be issued under the ESPP automatically increased on January 1, 2019, and shall increase 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. As of March 31, 2021, a total of 1,111,998 shares of common stock were reserved for issuance under this plan.

(Amounts in thousands, except share and per share data)

For the three months ended March 31, 2021 and 2020, the Company issued 19,377 and 49,025 shares of common stock under the ESPP, respectively

***Restricted Stock Units***

The Company has granted restricted stock units ("RSUs") with service-based vesting conditions. RSUs represent the right to receive shares of common stock upon meeting specified vesting requirements. Unvested shares of restricted common stock may not be sold or transferred by the holder. These restrictions lapse according to the service-based vesting conditions of each award. In 2020, the Company granted 1,071,400 RSUs that vest in full after eighteen-months as long as the individual remains an employee of the Company at such time.

The table below summarizes the Company's restricted stock unit activity since December 31, 2020:

| | Number of Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Unvested restricted stock units as of December 31, 2020 | 1,043,300 | $ — |
| Granted | — | — |
| Vested | — | — |
| Forfeited | (5,300) | 3.18 |
| Unvested restricted stock units as of March 31, 2021 | 1,038,000 | $ 3.21 |

The expense related to RSUs granted to employees was $543 and $430 for the three months ended March 31, 2021 and 2020, respectively.

***Stock-Based Compensation***

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

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Research and development expenses | $ 790 | $ 682 |
| General and administrative expenses | 1,590 | 1,168 |
| | $ 2,380 | $ 1,850 |

Included in the stock compensation expense recognized during the three months ended March 31, 2021 is $394 of stock-based compensation resulting from modifications to previously issued stock option awards in connection with the transition of the Company's Chief Executive Officer to Chairman of the Board, which is recorded in general and administrative expense. As of March 31, 2021, the Company had an aggregate of $15,160 of unrecognized stock-based compensation cost, which is expected to be recognized over a weighted average period of 1.89 years.

## 8. Debt

On November 22, 2019, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with K2 HealthVentures LLC (the "Lender"). The Lender has agreed to make available to the Company term loans in an aggregate principal amount of up to $25,000 under the Loan Agreement. The Company plans to use the proceeds of the term loans to support clinical development as well as for working capital and general corporate purposes. The Loan Agreement provides a term loan commitment of $25,000 in three potential tranches: (i) a $7,500 term loan facility funded on November 22, 2019 (the "First Tranche Term Loan"), (ii) a $10,000 term loan facility funded on June 5, 2020 (the "Second Tranche Term Loan"), and (iii) a $7,500 term loan facility (the "Third Tranche Term Loan"). All three of these term loans have a maturity date of December 1, 2023.

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

Borrowings under all three loan facilities bear interest at a floating per annum rate equal to the greater of (i) 8.65% and (ii) the Prime Rate plus 3.90%. The Company is permitted to make interest-only payments on the First Tranche Term Loan for the first eighteen months following the funding date. The interest-only period can be extended by an additional six months, subject to the funding of the Second Tranche Term Loan; and by an additional six months, subject to the funding of the Third Tranche Term Loan. The term of the combined facility will be 48 months, with repayment in monthly installments commencing at the end of the resulting interest-only period as outlined above through the end of the 48-month term.

The Company is obligated to pay a final fee equal to 4.45% of the aggregate amount of the term loans funded, such payment to occur upon the earliest of (i) the maturity date, (ii) the acceleration of the term loans, and (iii) the prepayment of the term loans. The Company has the option to prepay all, but not less than all, of the outstanding principal balance of the term loans under the Loan Agreement. If the Company prepays all of the term loans prior to the maturity date, it will pay the Lender a prepayment penalty fee based on a percentage of the outstanding principal balance, equal to 5% if the payment occurs on or before 24 months after the initial funding date, 3% if the prepayment occurs more than 24 months after, but on or before 36 months after the initial funding date, or 1% if the prepayment occurs more than 36 months after the initial funding date.

The Lender may, at its option, elect to convert any portion of no more than $4,000 of the then outstanding term loan amount and all accrued and unpaid interest thereon into shares of the Company's common stock at a conversion price of $1.56 per share. The Company determined that the embedded conversion option is not required to be separated from the term loan. The embedded conversion option meets the derivative accounting scope exception since the embedded conversion option is indexed to the Company's own common stock and qualifies for classification within stockholders' equity. The Company recognized a beneficial conversion feature of $2,101, which represents the difference between the commitment date stock price of $2.33 per share and the conversion price of $1.56 per share. The beneficial conversion feature was recorded as a discount on the term loan and is accreted to interest expense using the effective interest method over the term of the loan. The effective interest rate of the term loan as of March 31, 2021 is 12.36%.

The Company's obligations under the Loan Agreement are secured by a first priority security interest in substantially all of its assets. The Loan Agreement contains customary representations, warranties and also includes customary events of default, including payment defaults, breaches of covenants, change of control and a material adverse effect clause.

Upon the occurrence of an event of default, a default interest rate of an additional 5.00% per annum may be applied to the outstanding loan balances, and the Lender may declare all outstanding obligations immediately due and payable and exercise all of its rights and remedies as set forth in the Loan Agreement and under applicable law.

In June 2020, the Company drew down the Second Tranche Term Loan and received an additional $10,000 in proceeds. The Company is permitted to make interest-only payments on the First Tranche Term Loan and the Second Tranche Term Loan until January 2022 in accordance with the terms of the Loan Agreement.

In August 2020, the Lender elected to convert $2,000 of the outstanding term loan amount into 1,282,050 shares of the Company's common stock, in accordance with the Loan Agreement. In February 2021, the Lender elected to convert $1,500 of the outstanding term loan amount into 961,538 shares of the Company's common stock, in accordance with the Loan Agreement. The Company recognized $563 of interest expense in the three months ended March 31, 2021 from accelerating amortization of the beneficial conversion feature and debt discount as a result of the conversion in February 2021. As of March 31, 2021, the outstanding principal balance was $14,000.

The Company recorded interest expense related to the loan facility of $1,024 and $340 for the three months ended March 31, 2021 and 2020, respectively. The fair value of the loan at March 31, 2021 approximates its face amount due to the floating interest rate.

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

Future principal debt payments on the loan payable are as follows:

| | March 31, 2021 |
|---|---|
| 2021 | $ — |
| 2022 | 6,685 |
| 2023 | 7,315 |
| Total principal payments | 14,000 |
| Final fee due at maturity in 2024 | 779 |
| Total principal payments and final fee | 14,779 |
| Unamortized debt discount and final fee | (812) |
| Note payable | $ 13,967 |

## 9. Net Loss per Share

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

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Basic net income (loss) per share attributable to common stockholders:** | | |
| Numerator: | | |
| Net income (loss) | $ (15,561) | $ 22,570 |
| Denominator: | | |
| Weighted average common shares outstanding — basic | 41,619,362 | 27,977,145 |
| Net income (loss) per share attributable to common stockholders — basic | $ (0.37) | $ 0.81 |
| **Diluted net income (loss) per share attributable to common stockholders:** | | |
| Numerator: | | |
| Net income (loss) attributable to common shareholders - basic | $ (15,561) | $ 22,570 |
| Interest expense on convertible note payable | — | 181 |
| Net income (loss) attributable to common shareholders - diluted | $ (15,561) | $ 22,751 |
| Denominator: | | |
| Weighted average common shares outstanding - basic | 41,619,362 | 27,977,145 |
| Shares issuable upon conversion of convertible notes, as if converted | — | 2,564,102 |
| Dilutive effect of restricted stock units | — | — |
| Dilutive effect of common stock equivalents | — | 376,205 |
| Weighted average common shares outstanding - diluted | 41,619,362 | 30,917,452 |
| Net income (loss) per share attributable to common stockholders - diluted | $ (0.37) | $ 0.74 |

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

The Company's potential dilutive securities have been excluded from the computation of diluted net loss per share for the three months ended March 31, 2021, 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:

| | March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Stock options to purchase common stock | 7,205,287 | 5,555,623 |
| Shares to be issued under the 2018 ESPP | 1,111,998 | 764,452 |
| RSUs issued and expecting to vest | 1,038,000 | 675,162 |
| Shares available from conversion of note payable | 320,514 | — |
| | 9,675,799 | 6,995,237 |

## 10. Income Taxes

The Company did not provide for any income taxes for the three months ended March 31, 2021 or 2020.

The Company has evaluated the positive and negative evidence bearing upon its ability to realize the deferred tax assets. Management has considered the Company's history of cumulative net losses incurred since inception and its lack of commercialization of any products or generation of any revenue from product sales since inception and has concluded that it is more likely than not that the Company will not realize the benefits of the deferred tax assets. Accordingly, a full valuation allowance has been established against the deferred tax assets as of March 31, 2021 and December 31, 2020. Management reevaluates the positive and negative evidence at each reporting period.

As of March 31, 2021 and December 31, 2020, the Company had no accrued interest or tax penalties recorded. The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. The Company's tax years are still open under statute from 2017 to present. All years may be examined to the extent the tax credit or net operating loss carryforwards are used in future periods. There are currently no federal or state audits.

## 11. Leases

***Sublease Agreement with EQRx, Inc.***

In the three months ended March 31, 2021 and 2020, the Company recognized sublease income of $656 and $547.

As of March 31, 2021, future undiscounted cash inflows under the sublease are as follows:

| Year Ending December 31, | |
|---|---|
| 2021 | $ 2,126 |
| 2022 | 2,884 |
| 2023 | 241 |
| | $ 5,251 |

**SURFACE ONCOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(Amounts in thousands, except share and per share data)**

## 12. 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.

## 13. Related Party Transactions

***Novartis Institutes for BioMedical Research, Inc.***

Novartis is a related party because it is a greater than 5% stockholder of the Company. In January 2016, the Company entered into the Novartis Agreement and sold 2,000,000 shares of its Series A-1 Preferred Stock to Novartis for gross proceeds of $13,500. 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. The Company did not recognize any collaboration revenue - related party under the Novartis Agreement in the three months ended March 31, 2021. The Company recognized $38,592 in collaboration revenue - related party in the three months ended March 31, 2020. As of March 31, 2021 and 2020, no amounts were due from Novartis.

During the three months ended March 31, 2021 and 2020, the Company made no cash payments to Novartis related to the Novartis Agreement.

***Vaccinex, Inc.***

On November 30, 2017, the Company entered into a research agreement (the "Vaccinex Research Agreement") with Vaccinex, Inc. ("Vaccinex"), pursuant to which Vaccinex used its technology to assist the Company with identifying and selecting experimental human monoclonal antibodies against targets selected by the Company. On March 23, 2021, the Company exercised its option under the Vaccinex Research Agreement to enter into an exclusive license agreement (the "Vaccinex License Agreement") to certain antibodies generated under the Vaccinex Research Agreement. The Company's Chairman of the Board and former Chief Executive Officer is a member of the board of directors of Vaccinex. During the three months ended March 31, 2021, the Company paid Vaccinex $850 relating to the Vaccinex License Agreement. The payments were recognized as research and development expense. During the three months ended March 31, 2021 and 2020, the Company made no payments relating to the Vaccinex Research Agreement.There was no amount due by the Company to Vaccinex under either Agreement as of March 31, 2021. The amount due by the Company to Vaccinex under the Vaccinex Research Agreement as of March 31, 2020 was $50.

## 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, 2020 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission or SEC.*

### 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, represent 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 both the innate and adaptive arms of the immune system in a multi-faceted, coordinated and patient-specific approach, to meaningfully improve cure rates for patients with a variety of cancers.

We aim to identify key components within the TME to gain a deep understanding of its biology, leverage this understanding to define the optimal therapeutic targets and the patients most likely to benefit, and develop novel antibody therapeutics with differentiated biologic activity. By utilizing our expertise in immunology, oncology, assay development, antibody selection and characterization, and translational research, we are developing and advancing a broad pipeline of TME-focused programs that we believe are the next generation of immuno-oncology therapies. Our programs demonstrate our multi-faceted approach by targeting several critical components of the immunosuppressive TME.

NZV930 (formerly SRF373) and SRF617 are antibodies inhibiting cluster of differentiation, or CD, 73 and CD39, respectively, and illustrate how our specialized knowledge of TME biology can be leveraged across programs. CD73 and CD39 are both critical enzymes involved in the production of extracellular adenosine, a key metabolite with strong immunosuppressive properties within the TME. Elevated adenosine levels in the TME are associated with a poor prognosis in patients with certain types of cancer. NZV930 and SRF617 each aim to reduce the production of immunosuppressive adenosine, but target different points of the adenosine pathway. In addition to reducing the production of adenosine, we believe SRF617 will also stimulate anti-tumor immunity because of its ability to maintain levels of extracellular adenosine triphosphate, or ATP, a proinflammatory molecule and key driver of the maturation and activation of immune cells. In June 2018, a Phase 1 trial of NZV930 was initiated by our partner, Novartis. We initiated a Phase 1/1b dose escalation trial of SRF617 in March 2020, and announced the anticipated advancement of SRF617 to expansion stages of the ongoing trial in November 2020. SRF617 received Orphan Drug Designation from FDA for the treatment of pancreatic cancer in March 2021.

SRF388 is an antibody targeting interleukin 27, or IL-27, an immunosuppressive cytokine, or protein secreted by cells, in the TME that is overexpressed in certain cancers, including hepatocellular and renal cell carcinoma. IL-27 is a cytokine secreted by macrophages and antigen presenting cells that plays an important physiologic role in suppressing the immune system, as evidenced by its ability to resolve tissue inflammation. In addition, one of the subunits of IL-27, EBI3, is highly expressed during pregnancy and its expression is correlated with maternal-fetal tolerance. Due to its immunosuppressive nature, there is a rationale for inhibiting IL-27 to treat cancer, as this approach will influence the activity of multiple types of immune cells that are necessary to recognize and attack a tumor. We initiated a Phase 1 dose escalation clinical trial of SRF388 in April 2020, and announced the anticipated advancement of SRF388 to expansion stages of the ongoing trial in November 2020. SRF388 received Orphan Drug Designation and Fast Track Designation from FDA for the treatment of hepatocellular carcinoma in November 2020.

SRF813 is an antibody targeting CD112R, also known as PVRIG, an inhibitory protein expressed on natural killer, or NK, and T cells. SRF813 blocks the interaction of CD112R with CD112, its binding partner that is expressed on tumor cells. SRF813 can promote the activation of both NK and T cells, with potential to elicit a strong anti-tumor response and promote immunological memory. In October 2019, we formally declared SRF813 as a development candidate resulting in the initiation of IND-enabling activities. On December 16, 2020, we granted GSK, an exclusive license to worldwide development and commercialization rights of SRF813.

SRF114 is a highly specific antibody targeting CCR8, a chemokine receptor expressed on regulatory T cells, or Tregs, in the TME. SRF114 causes depletion of intra-tumoral Tregs, important regulators of immune suppression and tolerance, through antibody-dependent cellular cytotoxicity, or ADCC. In March 2021, we initiated IND-enabling activities for SRF114.

We expect that the unique insights generated in any one of our product programs will accelerate the development of the other programs in a synergistic fashion due to the interconnections between these TME pathways.

We were incorporated and commenced principal operations in 2014. We have devoted substantially all of our resources to developing our programs, including NZV930, SRF617, SRF388, SRF813, and SRF114, 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 public and private sales of our securities, payments received under the Novartis Agreement, payments received under the GSK Agreement and a debt financing. As of March 31, 2021, we had cash, cash equivalents and marketable securities of $171.0 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 $15.6 million and our net income was $22.6 million for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, we had an accumulated deficit of $77.8 million. We expect to continue to incur significant expenses and operating losses for at least the next several years, 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; and
- acquire or in-license other product candidates and technologies.

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 March 31, 2021 will enable us to fund our operating expenses, debt service obligations and capital expenditure requirements into 2023, excluding any future milestone payments from Novartis and GSK. 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.

We are monitoring the global outbreak and spread of the novel strain of coronavirus, or COVID-19, and have taken steps to identify and mitigate the adverse impacts on, and risks to, our business posed by its spread and actions taken by governmental and health authorities to address the COVID-19 pandemic. Although COVID-19 has not yet had a material adverse impact on our operations and our clinical and preclinical programs, the spread of COVID-19 has caused us to modify our business practices, including implementing a work from home policy for all employees who are able to perform their duties remotely and restricting all nonessential travel, and we expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees, and other business partners in light of COVID-19. Given the fluidity of the COVID-19 pandemic however, we do not yet know the full extent of the potential impact of COVID-19 on our business operations. We will continue to monitor the situation closely.

## 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 Novartis Agreement and the GSK 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 Novartis Agreement and the GSK Agreement, as well as any additional collaborations or licenses that we may enter into in the future.

### *Novartis Agreement*

In January 2016, we entered into the Novartis Agreement to develop next-generation cancer therapies. Under the Novartis Agreement, as amended, we were responsible for performing research on antibodies that bind to CD73 and four other specified targets. We were responsible for all costs and expenses incurred by, or on behalf of, us in connection with the research.

Upon entering into the agreement, we received an upfront payment of $70.0 million from Novartis and granted Novartis a worldwide exclusive license to research, develop, manufacture and commercialize antibodies that target CD73. In addition, we initially granted Novartis the right to purchase exclusive option rights, each an Option, to up to four specified targets, including certain research, development, manufacturing and commercialization rights. Pursuant to the Novartis Agreement, Novartis initially had the right to exercise up to three purchased Options. In January 2020, Novartis did not purchase and exercise its single remaining Option under the Novartis Agreement and, as a result, the option purchase period expired. Accordingly, there are no Options remaining eligible for purchase and exercise by Novartis, and our performance obligations under the Novartis Agreement have ended. We are currently entitled to potential milestones of $325.0 million, as well as tiered royalties on annual net sales of NZV930 by Novartis ranging from high single-digit to mid-teens percentages. Such amount of potential milestone payments assumes the successful clinical development and achievement of all sales milestones for NZV930.

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 Novartis 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.

Through March 31, 2021, we had received an aggregate of $150.0 million from Novartis in upfront payments, milestone payments, and option purchase payments. As of January 2020, we no longer have any performance obligations under the Novartis Agreement. We removed all costs associated with the remaining performance obligation for the single remaining Option from the cost-to-cost model in January 2020. This resulted in our recognizing the remaining deferred revenue of $38.6 million to collaboration revenue – related party in the first quarter of 2020. We did not recognize any collaboration revenue - related party in the three months ended March 31, 2021.

### *GSK Agreement*

In December 2020, we entered into the GSK Agreement, under which we granted GSK a worldwide, exclusive, sublicensable license to develop, manufacture and commercialize antibodies that target the antibody SRF813, targeting CD112R, also known as PVRIG, or the Licensed Antibodies. GSK will be responsible for the development, manufacturing and commercialization of the Licensed Antibodies and a joint development committee has been formed to facilitate information sharing between us and GSK. Under the terms of the GSK Agreement, GSK is obligated to use commercially reasonable efforts to develop and commercialize the Licensed Antibodies.

Under the terms of the agreement, GSK made a one-time upfront payment of $85.0 million and is required to make additional payments to us for supply services and transition services estimated to be $4.5 million and $1.0 million, respectively. We are eligible to receive up to $90.0 million in clinical and $155.0 million in regulatory milestones. In addition, we may receive up to $485.0 million in sales milestone payments. We are also eligible to receive royalties on global net sales of any approved products based on the licensed antibodies, ranging in percentages from high single digits to mid-teens.

Under ASC 606 we account for (i) the delivery of the worldwide, exclusive, sublicensable license to develop, manufacture and commercialize the Licensed Antibodies; (ii) supply of Licensed Antibodies until an Investigational New Drug application is accepted by a regulatory authority; and (iii) transition services until an Investigational New Drug application is accepted by a regulatory authority as separate and distinct performance obligations. We determined the transaction price under ASC 606 at the inception of the GSK Agreement to be $90.4 million, consisting of the upfront payment of $85.0 million plus $4.5 million for supply of the Licensed Antibodies and $1.0 million for the transition services. We recognized revenue for the license performance obligation at a point in time, that is upon transfer of the license to GSK. As control of the license was transferred on the effective date of December 16, 2020 and GSK could begin to use and benefit from the license, we recognized $85.0 million of license related revenue during the year ended December 31, 2020 under the GSK Agreement. We will recognize the $4.5 million and $1.0 million allocated to the supply services and transition services over time. We transfer control of these services over time and GSK receives and consumes the benefit over time as we perform the services. For the three months ended March 31, 2021, we recognized $1.3 million and $0.4 million of license related revenue from the supply services and transition services, respectively, which represents the costs incurred for the manufacturing and transition services that were performed.

Through March 31, 2021, we have received $85.0 million from GSK in upfront payments.

***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, 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, 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 generally 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 ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| SRF388 | 1,424 | 758 |
| SRF617 | 1,747 | 2,197 |
| SRF813 | 1,351 | 1,704 |
| SRF114 | 886 | 76 |
| Other early-stage programs | 42 | (70) |
| Unallocated research and discovery expenses | 5,094 | 6,623 |
| Total research and development expenses | $ 10,544 | $ 11,288 |

Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We anticipate that our research and development expenses will increase in the future as we anticipate incurring increased clinical development costs as we advance our SRF617 and SRF388 Phase 1 clinical trials as well as increased costs relating to the SRF114 program as we pursue IND-enabling activities.

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 a result of incurring 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 consist primarily of interest earned on our cash, cash equivalents, and marketable securities.

## Results of Operations

***Comparison of Three Months Ended March 31, 2021 and 2020***

The following table summarizes our results of operations for the three months ended March 31, 2021 and 2020, along with the changes in those items:

| | Three months ended March 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2021 v 2020 |
| | | (in thousands) | |
| Collaboration revenue - related party | $ — | $ 38,592 | $ (38,592) |
| License related revenue | 1,626 | — | 1,626 |
| Total revenue | $ 1,626 | $ 38,592 | $ (36,966) |
| Operating expenses: | | | |
| Research and development | 10,544 | 11,288 | (744) |
| General and administrative | 5,641 | 4,787 | 854 |
| Total operating expenses | 16,185 | 16,075 | 110 |
| Income (loss) from operations | (14,559) | 22,517 | (37,076) |
| Interest and other income (expense), net | (1,002) | 53 | (1,055) |
| Net income (loss) | $ (15,561) | $ 22,570 | $ (38,131) |

***Collaboration Revenue - Related Party***

Collaboration revenue was $38.6 million for the three months ended March 31, 2020, all of which was derived from the Novartis Agreement. In January 2020 our performance obligations under the Novartis Agreement ended and we removed all costs from the cost-to-cost model. This resulted in the recognition of the remaining deferred revenue of $38.6 million to collaboration revenue – related party in the first quarter of 2020. We did not recognize any collaboration revenue - related party in the three months ended March 31, 2021.

***License Related Revenue***

During the three months ended March 31, 2021, we recognized $1.3 million and $0.4 million of license related revenue related to the supply services and transition services, respectively, which represents the costs incurred for the manufacturing and transition services that were performed. We did not recognize any license related revenue in the three months ended March 31, 2020.

***Research and Development Expenses***

The following table summarizes our research and development expenses for the three months ended March 31, 2021 and 2020, along with the changes in those items:

| | Three months ended March 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2021 v 2020 |
| | | (in thousands) | |
| Direct research and development expenses by program: | | | |
| SRF388 | 1,424 | 758 | 666 |
| SRF617 | 1,747 | 2,197 | (450) |
| SRF813 | 1,351 | 1,704 | (353) |
| SRF114 | 886 | 76 | 810 |
| Other early-stage programs | 42 | (70) | 112 |
| Research and discovery and unallocated expenses: | | | |
| Personnel related (including stock-based compensation) | 3,482 | 4,761 | (1,279) |
| Facility related and other | 1,612 | 1,862 | (250) |
| Total research and development expenses | $ 10,544 | $ 11,288 | $ (744) |

Research and development expenses were $10.5 million for the three months ended March 31, 2021, compared to $11.3 million for the three months ended March 31, 2020. The decrease of $0.7 million was primarily due to decreases $1.5 million for research and discovery and unallocated costs, $0.5 million in external costs for our SRF617 program and $0.4 million in external costs for our SRF813 program, which were partially offset by increases of $0.7 million in external costs for our SRF388 program and $0.8 million in external costs for our SRF114 program.

The decrease in research and development expenses for our SRF617 program was primarily due to significant initiation and trial set-up costs in 2020 partially offset by the progression in the Phase 1 clinical trial in 2021.

The increase in research and development expenses for our SRF388 program was primarily due to the progression in the Phase 1 clinical trial.

The increase in research and development expenses for our SRF114 program was primarily due to the initiation of IND-enabling activities in the first quarter of 2021.

The decrease in research and discovery and unallocated expenses was primarily due to the reduction in headcount as well as decreased facility and lab costs as a result of the strategic restructuring announced in January 2020.

The decrease in research and development expenses for our SRF813 program was primarily due to the transfer of responsibility for development of this program to GSK as part of the GSK Agreement signed in December 2020.

***General and Administrative Expenses***

General and administrative expenses were $5.6 million for the three months ended March 31, 2021, compared to $4.8 million for the three months ended March 31, 2020. The increase of $0.9 million was primarily due to increases in personnel and facility related costs, including $0.4 million of stock-based compensation resulting from modifications to previously issued stock option awards in connection with the transition of the Company's Chief Executive Officer to Chairman of the Board.

***Interest and Other Income (Expense), Net***

Interest and other income (expense), net were approximately $(1.0) million and $0.1 million during the three months ended March 31, 2021 and 2020, respectively, due primarily to interest expense related to our term loan with K2 Health Ventures LLC and interest income on invested balances of our cash, cash equivalents and marketable securities.

## Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. We have generated limited revenue to date from the Novartis Agreement and the GSK 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 public and private sales of our securities, payments received under the Novartis Agreement, payments received under the GSK Agreement and a debt financing. Through March 31, 2021, we had received gross proceeds of $48.6 million from our sales of preferred stock, $29.1 million from sales of our common stock under the 2019 Sales Agreement, $14.7 million from sales of our common stock under the 2020 Sales Agreement, $17.5 million from our loan and security agreement with K2 HealthVentures LLC, $85.0 million from the GSK Agreement and $150.0 million from the Novartis Agreement.

On April 23, 2018, we completed an initial public offering of our common stock by issuing 7,200,000 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.

In May 2019, we entered into the 2019 Sales Agreement, with JonesTrading to issue and sell up to $30.0 million in shares of our common stock, from time to time. As of June 30, 2020, we sold 11,229,174 shares of common stock at-the-market under the 2019 Sales Agreement for net proceeds of $29.1 million, and had fully utilized and closed the 2019 ATM Facility.

In May 2020, we entered into the 2020 Sales Agreement, with JonesTrading to issue and sell up to $50.0 million in shares of our common stock, from time to time. Through March 31, 2021, we sold 1,677,118 shares of common stock at-the-market under the 2020 Sales Agreement for net proceeds of $14.7 million.

As of March 31, 2021, we had cash, cash equivalents and marketable securities of $171.0 million.

***Future Funding Requirements***

We expect our expenses will increase in the future as we anticipate incurring increased clinical development costs as we advance our SRF617 and SRF388 Phase 1 clinical trials as well as increased costs relating to the SRF114 program as we pursue IND-enabling activities. Additionally, 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 May 5, 2021, will enable us to fund our operating expenses, debt service obligations and capital expenditure requirements into 2023, excluding any future milestone payments from Novartis and GSK. 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 pre-clinical and clinical development of such product candidates;
- seeking and obtaining marketing approvals for any of 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, that 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 Novartis Agreement and the GSK Agreement. 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:

| | Three months ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| Net cash provided by (used in): | | |
| Operating activities | $ (18,963) | $ (15,576) |
| Investing activities | (70,634) | 24,827 |
| Financing activities | 14,982 | 413 |
| Net increase (decrease) in cash and cash equivalents and restricted cash | $ (74,615) | $ 9,664 |

***Operating Activities***

During the three months ended March 31, 2021, net cash used in operating activities was $19.0 million, primarily due a net loss of $15.6 million and changes in our operating assets and liabilities of $7.5 million, partially offset by non-cash charges of $4.2 million. Net cash used in changes in our operating assets and liabilities for the three months ended March 31, 2021 consisted primarily of a $5.0 million decrease in accrued expenses and other current liabilities, a $0.6 million increase in accounts payable, and an increase of $2.7 million in prepaid expenses and other current assets. The decrease in accrued expenses and other current liabilities is primarily due to the 2020 employee bonus paid in February 2021. The increase in prepaid expenses and other current assets is primarily due to receivables from GSK related to reimbursement for the supply and transition services performed.

During the three months ended March 31, 2020, net cash used in operating activities was $15.6 million, primarily due changes in our operating assets and liabilities of $41.3 million, partially offset by net income of $22.6 million and non-cash charges of $3.0 million. Net cash used in changes in our operating assets and liabilities for the three months ended March 31, 2020 consisted primarily of a $38.6 million decrease in deferred revenue-related party, a $0.5 million decrease in accrued expenses and other current liabilities, a $2.7 million decrease in accounts payable, a $1.1 million increase in other liabilities, and an increase of $0.4 million in prepaid expenses and other current assets. The decrease in deferred revenue-related party was primarily due to the removal of all future costs in the cost-to-cost model as a result of Novartis' decision not to purchase and exercise the single remaining Option under the Novartis Agreement prior to it expiring in January 2020. The increase in other liabilities represents a commercial option fee which we incurred under the Adimab agreement in January 2020, but is not payable within twelve months of the balance sheet date.

***Investing Activities***

During the three months ended March 31, 2021, net cash used in investing activities was $70.6 million related to purchases of marketable securities.

During the three months ended March 31, 2020, net cash provided by investing activities was $24.8 million, primarily due to by $25.5 million of proceeds from sales or maturities of marketable securities partially offset by purchases of marketable securities of $0.7 million.

***Financing Activities***

During the three months ended March 31, 2021, net cash provided by financing activities was $15.0 million, consisting of proceeds of $14.7 million received from issuance of our shares of common stock at-the-market under the 2020 Sales Agreement, proceeds of $0.1 million received from the issuance of shares under our 2018 Employee Stock Purchase Plan, and proceeds from the exercise of stock options of $0.1 million.

During the three months ended March 31, 2020, net cash provided by financing activities was $0.4 million, consisting of proceeds of $0.3 million received from issuance of our shares of common stock at-the-market under the Sales Agreement and proceeds of $0.1 million received from the issuance of shares under our 2018 Employee Stock Purchase Plan.

***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 generally cancellable by us upon prior written notice to the vendor.

During the three months ended March 31, 2021, there were no material changes, 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 Annual Report on Form 10-K filed with the SEC on March 9, 2021.

**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 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 consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenue and expenses during the reporting period. 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 Annual Report on Form 10-K filed with the SEC on March 9, 2021.

**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 Quarterly Report on 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 March 31, 2021 consisted of cash, a money market fund invested primarily in short-term U.S. Treasury obligations and U.S. government agency 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. Controls and Procedures

### 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 March 31, 2021.

### 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 three months ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

In October 2020, we filed an opposition in the European Patent Office, or EPO, opposing the grant of European Patent No. EP 3258951B1 to Compugen, Ltd., or the Compugen Patent. We are one of two parties opposing the grant of the Compugen Patent, which relates generally to PVRIG (an alternate name for CD112R) antibodies for use in treating cancer. The proprietor's response to the statements of opposition was filed on March 22, 2021; we are currently awaiting a summons to oral proceedings. Accordingly, final resolution of the opposition may be several years in the future.

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 I, Item 1A ("Risk Factors") of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

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

On February 3, 2021, K2 HealthVentures LLC elected to convert $1.5 million of our then outstanding term loan amount and all accrued and unpaid interest thereon into 961,538 shares of our common stock at a conversion price of $1.56 per share in accordance with our loan agreement with K2 HealthVentures LLC. The issuance of such shares of common stock was exempt from the registration requirements of the Securities Act, pursuant to Section 4(a)(2) of the Securities Act.

### Item 3. Defaults upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

**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# | Transition and CEO Support Agreement, dated February 9, 2021, by and between J. Jeffrey Goater and Surface Oncology, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 9, 2021 (File No. 001-38495) and incorporated herein by reference). |
| 10.2# | Amended and Restated Employment Agreement, dated February 9, 2021, by and between Robert Ross, M.D. and Surface Oncology, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 9, 2021 (File No. 001-38495) and incorporated herein by reference). |
| 10.3# | Amended and Restated Employment Agreement, dated April 26, 2021, by and between Jessica Fees and Surface Oncology, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 27, 2021 (File No. 001-38495) and incorporated herein by reference). |
| 10.4† | Exclusive Product License Agreement, dated March 23, 2021, by and between Vaccinex, Inc. and Surface Oncology, Inc. |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial and Accounting Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 32.2 | Certification of Principal Financial and Accounting 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 and Exhibit 32.2 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.

\# Indicates a management plan, contract or arrangement.

† Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit because they are both (i) not material and (ii) the type that the registrant treats as private or confidential, in accordance with the rules of 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: May 5, 2021 By: /s/ Robert W. Ross, M.D.

**Robert W. Ross, M.D.**
Chief Executive Officer (Principal Executive Officer)

Date: May 5, 2021 By: /s/ Jessica Fees

**Jessica Fees**
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 10.4**

CERTAIN IDENTIFIED INFORMATION CONTAINED IN THIS EXHIBIT, MARKED BY "[***]", HAS BEEN EXCLUDED BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) THE TYPE THAT SURFACE ONCOLOGY, INC. TREATS AS PRIVATE OR CONFIDENTIAL.

# Exclusive Product License Agreement

This Exclusive Product License Agreement (this "Agreement") is made and entered into as of this 23rd day of March, 2021 (the "Effective Date") by and between Vaccinex, Inc., having offices at 1895 Mt. Hope Avenue, Rochester NY 14620 USA ("Vaccinex"), and Surface Oncology, Inc. having offices at 50 Hampshire St, 8th Floor, Cambridge, MA 02139 ("Surface"). Vaccinex and Surface are sometimes referred to herein each individually as a "Party" and collectively as the "Parties."

## RECITALS

WHEREAS, the Parties have entered into a Collaboration Agreement (defined below), pursuant to which Vaccinex granted Surface the right to obtain a license to research, develop and commercialize Licensed Products (defined below);

WHEREAS, pursuant to the Collaboration Agreement, Surface has exercised a Product Option (as defined in the Collaboration Agreement) pursuant to which the Parties have agreed to enter into this Agreement setting forth the terms and conditions of the licenses;

NOW, THEREFORE, the Parties hereby agree as follows:

## Article 1.
## DEFINITIONS

For purposes of this Agreement, the following words and phrases will have the following meanings. All words and phrases not defined in this Article 1 (Definitions) will have the meanings ascribed to them in this Agreement.

a.. "Accounting Standards" means, GAAP, as generally and consistently applied throughout the Party's organization. Each Party shall promptly notify the other in the event that it changes the Accounting Standards pursuant to which its records are maintained, *provided*, *however* that each Party may only use internationally recognized accounting principles (e.g., IFRS, GAAP, etc.).

b.. "Affiliate" means, with respect to a Party, any corporate or other entity that, directly or indirectly, controls, is controlled by, or is under common control with such Party, where "control" means the ownership of not less than fifty percent (50%) of the voting shares of

a corporation, or fifty percent (50%) of the decision-making authority as to such other unincorporated entity.

c.. "Challenge Action" has the meaning set forth in Section 6.2 (Surface's Right to Enforce and Defend Patent Rights).

d.. "Collaboration Agreement" means that certain Antibody Selection Research Collaboration and License Option Agreement effective as of November 30, 2017 by and between Vaccinex and Surface, as the same may be amended from time to time a copy of which is attached hereto as Exhibit A.

e.. "Combination Product" means a product or combination therapy that includes a Licensed Product and at least one (1) additional non-Licensed Product comprised of active ingredient(s), that is (are) either (i) co-formulated or administered through a single formulation, or (ii) administered separately but approved (or being developed for approval) for use in combination with the Licensed Product. Drug delivery vehicles, adjuvants and excipients will not be deemed "active ingredients," except in the case where (a) in the case of a drug delivery vehicle or excipient, such delivery vehicle or excipient is recognized by the FDA as an active ingredient in accordance with 21 C.F.R. 210.3(b)(7), and if administered independently of the Licensed Product, would have a material clinical benefit (as shown by reasonable scientific evidence), or (b) in the case of an adjuvant, such adjuvant is (1) directly involved in the specific activation of any target affecting any innate immune pathway (as shown by reasonable scientific evidence), and (2) which activation itself produces a material clinical benefit (as shown by reasonable scientific evidence). For clarity, adjuvants that qualify under clause (b) above could include but are not limited to STING (stimulator of interferon genes) agonists and TLR (toll-like receptor) agonists administered alone or in combination with a cancer antigen, and adjuvants that act generally on innate immunity.

f.. "Commercially Reasonable Efforts" means [***].

g.. "Confidential Information" has the meaning set forth in Section 10.1 (Non-Disclosure)

h.. "Control" or "Controls" or "Controlled" means, with respect to any intellectual property right (including any know-how, patent right or invention), the possession of (whether by ownership or license, other than pursuant to this Agreement) the ability of a party or its Affiliates to grant access to, or to grant a license or sublicense of, such right as provided for herein without violating the terms of any agreement or other arrangement with any third party existing at the time such party would be required hereunder to grant another person such access or license or sublicense.

i.. "Cover" or "Covered" means with respect to a particular item or method, any patent and/or know-how, that but for a license under or ownership right in such patent and/or know-how, the manufacture, use, offer for sale, sale, importation, duplication, distribution or other exploitation of such item (or any other item used in the manufacture, use, offer for sale, sale, importation, duplication, distribution or other exploitation thereof) or the practice of such

method (or the use of any item in the practice of such method), would infringe any patent and/or misappropriate any know-how (assuming, in the case of pending patent applications, that such pending patent applications were issued patents) in any of the countries of manufacture, use, offer for sale, sale, importation, duplication, distribution and/or other exploitation.

j.. "Disclosing Party" has the meaning set forth in Section 10.1 (Non-Disclosure).

k.. "Effective Date" has the meaning set forth in the preamble.

l.. "Executive Officers" means, for Surface, its Chief Executive Officer, and for Vaccinex, its Chief Executive Officer, *provided* that the foregoing individuals may designate the Chief Financial Officer or the Chief Operating Officer as his/her designee. In the event that the position of the Executive Officers identified in this Section 1.12 no longer exists due to a change of control, corporate reorganization, corporate restructuring or the like that results in the elimination of the identified position, the applicable Executive Officer will be replaced with another executive officer with responsibilities and seniority comparable to the eliminated Executive Officer.

m.. "FDA" means the United States Food and Drug Administration, or any successor agency thereof.

n.. "Field" means all human and animal prophylactic and therapeutic uses.

o.. "First Commercial Sale" means, with respect to a Licensed Product in a country, the first sale for end use or consumption of such Licensed Product in such country after all Regulatory Approvals legally required for such sale have been granted by the regulatory authority of such country.

p.. "Indemnitee" has the meaning set forth in Section 8.3 (Indemnification Procedures).

q.. "Indemnitor" has the meaning set forth in Section 8.3 (Indemnification Procedures).

r.. "Infringement Action" has the meaning set forth in Section 6.2 (Surface's Right to Enforce and Defend Patent Rights).

s.. "Infringing Product" has the meaning set forth in Section 6.2 (Surface's Right to Enforce and Defend Patent Rights).

t.. "Licensed Product" means any product (including a bi-specific or multi-specific antibody) that consists of or otherwise incorporates any Selected Antibody and/or any modification, variant, fragment, or derivative thereof, in each case, that includes one or more complementarity-determining regions of at least one variable region of such Selected Antibody including (i) any functional fragment of, pegylated version of (whether or not including amino acid changes) of a Selected Antibody and otherwise modified versions (including associated amino acid substitutions) of, a Selected Antibody, or (ii) an antibody designed using, or derived

from, some or all of the binding portion of any Selected Antibody (or the sequence coding for it). For the avoidance of doubt, a product that consists of a modified Selected Antibody that contains the same sequences for all six complementarity-determining regions as such Selected Antibody shall be considered the same Licensed Product for the purposes of this Agreement, except that a bi-specific or multi-specific antibody or drug conjugate with such same sequences shall be considered different Licensed Products.

u.. "Net Sales" means [***].

v.. "New License Agreement" has the meaning set forth in Section 9.4 (Effect of Termination of Sublicensees).

w.. "Other Vaccinex Intellectual Property Rights" means rights in or to all intellectual property owned or Controlled by Vaccinex during the term of this Agreement, other than Vaccinex Program IP, that is required or reasonably necessary for the registration, clinical development, manufacture, use or sale of, or to otherwise exploit, the Selected Antibody, or any modification, variant or fragment thereof contained in a Licensed Product.

x.. "Party" and "Parties" have the meaning set forth in the preamble.

y.. "Payments" has the meaning set forth in Section 4.7 (Withholding Taxes).

z.. "Phase 1 Clinical Trial" means either (i) a clinical study of a Licensed Product in human volunteers or patients with the primary objective of determining initial tolerance, safety and pharmacokinetic information in a single doses, single ascending dose, multiple dose or multiple ascending dose regimens as described in 21 C.F.R. § 312.21(a), or (ii) a comparable human clinical trial of a Licensed Product prescribed by the relevant regulatory authority in any country that would satisfy the requirements of 21 C.F.R. § 312.21(a), or its foreign equivalent.

aa.. "Phase 2 Clinical Trial" means either (i) a clinical study of a Licensed Product in patients with the primary objective of characterizing its activity in a specific disease state as well as generating more detailed tolerance, safety and pharmacokinetic information as described in 21 C.F.R. § 312.21(b), or (ii) a comparable human clinical trial of a Licensed Product prescribed by the relevant regulatory authority in any country that would satisfy the requirements of 21 C.F.R. § 312.21(b), or its foreign equivalent.

ab.. "Phase 3 Clinical Trial" means either (i) a clinical study of a Licensed Product in patients, conducted in accordance with a protocol designed to confirm statistical significance of efficacy and safety of a Licensed Product for the purpose of obtaining Regulatory Approval in any country as described in 21 C.F.R. § 312.21(c), or (ii) a comparable human clinical trial of a Licensed Product prescribed by the relevant regulatory authority in any country that would satisfy the requirements of 21 C.F.R. § 312.21(c), or its foreign equivalent.

ac.. "Prosecute" or "Prosecution" means the preparation, filing, prosecution, issuance and maintenance of the Selected Antibody Patent Rights before the United States Patent and

Trademark Office and foreign patent offices in connection with the Selected Antibody Patent Rights. Cognates of the word "Prosecution" have their correlative meanings.

ad.. "Receiving Party" has the meaning set forth in Section 10.1 (Non-Disclosure).

ae.. "Regulatory Approval" means, with respect to a particular Licensed Product, receipt of all regulatory clearances, registrations, licenses, authorizations or approvals (which in the case of the European Union may be through the centralized procedure) required in the jurisdiction in question for the sale of the applicable Licensed Product or service in such jurisdiction, including receipt of pricing approval, if any, legally required for such sale.

af.. "Royalty Term" means, on a Licensed Product-by-Licensed Product and country-by-country basis, the period beginning on the First Commercial Sale of such Licensed Product in such country and ending upon the later of (a) the expiration of the last Valid Claim included within the Vaccinex Program IP that Covers the composition of matter of such Licensed Product in the Territory (if any) and (b) the 10$^{th}$ anniversary of the First Commercial Sale of such Licensed Product in such country.

ag.. "Selected Antibodies" means antibodies delivered by Vaccinex to Surface pursuant to the Collaboration Agreement and described in Exhibit C hereof.

ah.. "Selected Antibody Patent Rights" means (a) rights in or to all patents and patent applications included within the Vaccinex Program IP, owned or Controlled by Vaccinex during the Term that Cover the Selected Antibody, including those patents and patent applications listed in Exhibit B; (b) all patents or patent applications filed in any country in the Territory that claim priority to or the benefit of, or share common disclosure or common priority with, the patents and patent applications described in the foregoing clause (a), including all provisional or priority patent applications, divisionals, continuations, continuations-in-part (to the extent directed to the Selected Antibodies), reissues, renewals, reexaminations, supplementary protection certificates, international applications and utility models, and foreign counterparts thereof; (c) all patents granting from (a) and (b); (d) all extensions based on any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world (including the right to claim the priority date of any of such patents and patent applications).

ai.. "Sublicense" means any agreement pursuant to which Surface or a Sublicensee grants a Third Party a sublicense under the Vaccinex Program IP or Other Vaccinex Intellectual Property Rights to make, have made, use, sell, offer to sell, import or otherwise exploit Licensed Products in the Field.

aj.. "Sublicensee" means any person or entity to whom Surface has granted a Sublicense under this Agreement.

ak.. "Surface" has the meaning set forth in the preamble.

al.. "Taxes" has the meaning set forth in Section 4.7 (Withholding Taxes).

am.. "Term" has the meaning set forth in Section 9.1 (Term).

an.. "Territory" means worldwide.

ao.. "Third Party" means any person or entity other than Surface, Vaccinex, or the Affiliates of Surface or Vaccinex.

ap.. "Vaccinex" has the meaning set forth in the preamble.

aq.. "Vaccinex Patent Expenses" has the meaning set forth in Section 5.1(a) (Reimbursement).

ar.. "Vaccinex Program IP" has the meaning set forth in the Collaboration Agreement.

as.. "Valid Claim" means (a) a claim of an issued patent, which claim has not (i) expired, lapsed, been canceled, dedicated to the public, disclaimed or become abandoned, (ii) been declared unpatentable, invalid, unenforceable, revoked, or canceled by a decision or judgment of a court or other appropriate body or authority of competent jurisdiction, or (iii) been admitted to be invalid or unenforceable, or (b) any claim in a pending patent application that has been filed and is being prosecuted in good faith and has not been cancelled, withdrawn from consideration, abandoned or finally disallowed without the possibility of appeal or refiling of the application and that has not been pending for more than seven (7) years from the earliest date from which the patent application claims priority. If such patent application has been re-filed or is a divisional application, the seven (7) year period mentioned above shall be calculated from the first application filed in the series of applications.

## Article 2.
## GRANT

a.. Grant of Rights. Subject to the terms and conditions of this Agreement, Vaccinex hereby grants (and will cause its Affiliates to grant), and Surface hereby accepts (i) an exclusive, irrevocable (subject to Section 9.3), license, with the right to grant Sublicenses (as provided in Section 2.2 (Right to Sublicense) hereof), under the Vaccinex Program IP, to make, have made, use, sell, offer to sell, have sold, import, export and otherwise exploit Licensed Products in the Field in the Territory, and (ii) a fully-paid up, irrevocable (subject to Section 9.3), license, with the right to grant Sublicenses (as provided in Section 2.2 (Right to Sublicense) hereof), under the Other Vaccinex Intellectual Property Rights, to make, have made, use, sell, offer to sell, have sold, import, export and otherwise exploit Licensed Products in the Field in the Territory.

b.. Sublicenses.

(i) *Right to Sublicense*. Subject to this Section 2.2 (Sublicenses), Surface will have the right to grant Sublicenses of any and all of the rights licensed to Surface under this Agreement through multiple tiers to any Third Party. Surface will be responsible for enforcing each Sublicensee's obligations that relate to this Agreement under each Sublicense that Surface executes

and Surface shall remain responsible for any such Sublicensee's performance hereunder and for all payments due to Vaccinex, including royalties or other payments due on Net Sales of Licensed Products or milestones achieved by Sublicensee.

(ii) *Sublicense Provisions*. Each Sublicense will be subject to and consistent with the relevant terms and conditions of this Agreement.

(iii) *Copy of Sublicense*. Surface will promptly notify Vaccinex of any Sublicense and provide Vaccinex a true, correct and complete copy of the terms of each Sublicense that Surface enters into with a Third Party and any amendment thereto within [***] days following the execution of such Sublicense or amendment; *provided* that Surface may redact from such copy any confidential terms of such Sublicense that relate to financial information or scientific or technical information specific to the Sublicensee's compounds or development plans, to the extent not reasonably necessary for Vaccinex to monitor compliance by Surface or such Sublicensee with the terms and conditions of this Agreement.

c.. Rights of Affiliates. Surface may exercise its rights and perform its obligations under this Agreement either directly or through one or more of its Affiliates. Surface's Affiliates will have the benefit of all rights (including all licenses) of Surface under this Agreement, subject to such Affiliates' compliance with the applicable obligations of Surface hereunder. Accordingly, in this Agreement "Surface" will be interpreted to mean "Surface or its Affiliates" where necessary to give Surface's Affiliates the benefit of the rights provided to Surface in this Agreement*; provided, however,* that in any event Surface will remain responsible for the acts and omissions, including financial liabilities, of its Affiliates and for such Affiliates' compliance with the applicable obligations of Surface hereunder.

d.. No Conflicting Agreements. Vaccinex will not grant licenses or other rights or interests in or under the Vaccinex Program IP to any Third Party and will not enter into any agreement with any Third Party that would conflict with or otherwise compromise the rights granted to Surface hereunder.

e.. No Implied Rights. Each Party acknowledges that the rights and licenses granted under this Agreement are limited to the scope expressly granted herein. Except for the rights expressly granted under this Agreement, no rights, title, licenses, or other interests of any nature whatsoever are granted whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party. Without limitation, none of the above licenses include the right to select antibodies other than Selected Antibodies.

## Article 3.
## DUE DILIGENCE

a.. General Obligation. Surface will use Commercially Reasonable Efforts to develop, clinically test, achieve regulatory approval, manufacture, market and commercialize at

least one Licensed Product in the Field in the Territory during the Term of this Agreement. Such diligence activities shall include, without way of limitation, Surface using Commercially Reasonable Efforts to file an IND in the U.S., Canada, the U.K., a country in the E.U., Australia or Japan (or requiring its Affiliates or Sublicensees to do so) within five (5) years of the Effective Date.

b.. Development Reports. Surface shall provide Vaccinex with (i) regular, and in any event not less than every six months, written high-level summary reports describing Surface's progress on development of Licensed Products during the previous six months, and future development plans for the next six months, and (ii) an annual detailed report on Surface's progress in meeting its obligations in Section 3.1, including but not limited to a summary of the evaluations of Licensed Products performed, provided that such summary need not include results of such evaluations, and a development plan of Licensed Products indicating development progress to date as well as the projected timeline of expected achievement of milestones by Licensed Products. Vaccinex may reasonably request additional related information in connection with the annual reports in order to establish satisfaction by Surface of its obligations under this Section 3.

c.. Reversion. If Surface materially breaches its obligations set forth in Section 3.1 (General Obligations) and fails to cure such breach within [***] days after receiving written notice thereof from Vaccinex, then Vaccinex shall have the right to terminate this Agreement pursuant to Section 9.2(d) (Diligence Failure).

## Article 4.
## LICENSE CONSIDERATION

a.. Product License Fee. Within ten (10) days following the Effective Date, Surface will pay to Vaccinex a fee of $850,000.

b.. Annual Maintenance Fee. Commencing on the third (3rd) anniversary of the Effective Date and each anniversary thereof occurring prior to the first dosing of the first human patient pursuant to the protocol in the first Phase 1 Clinical Trial for a Licensed Product, Surface will pay Vaccinex an annual maintenance fee according to the following schedule:

- Beginning with the third anniversary of the Effective Date, $[***];
- Beginning with the fourth anniversary of the Effective Date, $[***];
- Beginning with the fifth anniversary of the Effective Date, $[***];
- Beginning on the sixth anniversary of the Effective Date, and for each anniversary thereafter, $[***].

Such fees will accrue on the applicable anniversary date, and Surface will pay the applicable annual maintenance fee to Vaccinex within thirty (30) days following Surface's receipt of Vaccinex's invoice therefor.

c.. Milestone Payments. Surface will pay to Vaccinex the milestone payments set forth in this Section 4.3 (Milestone Payments) with respect to the first achievement of the relevant milestone event for each Licensed Product. Each milestone payment set forth in this Section 4.3 (Milestone Payments) is payable only once per Licensed Product, and the total payments payable under this Section 4.3 (Development Milestone Payments) will in no event exceed $15,000,000 per Licensed Product. The milestone payments will accrue upon the achievement of the applicable milestone event, and Surface will promptly notify Vaccinex of such achievement, and pay the associated milestone payment within thirty (30) days following achievement of each milestone event described in this Section 4.3 (Milestone Payments).

| *Milestone Event* | *Milestone Payment* |
|---|---|
| (i) Upon first patient dosed in the first Phase 1 Clinical Trial. | $[***] |
| (ii) Upon first patient dosed in the first Phase 2 Clinical Trial. | $[***] |
| (iii) Upon first patient dosed in the first Phase 3 Clinical Trial. | $[***] |
| (iv) Upon filing of a BLA with US FDA. | $[***] |
| (v) Upon approval of the BLA by the US FDA. | $[***] |
| (vi) Upon approval by the EMA. | $[***] |

For avoidance of doubt, a clinical trial that meets more than one definition of the type of clinical trial (such as a clinical trial with an adaptive design, which morphs from a Phase 1 Clinical Trial to a Phase 2 Clinical Trial), will be considered to be both of such clinical trials, and payment of all milestones achieved as a result of such consideration, will be due and owing.

d.. Royalties.

1. *Royalty Payments*. Subject to the provisions of this Agreement, Surface will pay to Vaccinex, on a Licensed Product-by-Licensed Product basis during the Royalty Term for such Licensed Product, a royalty of [***] of Net Sales on Licensed Products sold in the Territory. Royalties will be due within [***] days after the end of each calendar quarter during which the royalties accrued.

2. *Royalty Adjustments*. If Surface or any of its Affiliates reasonably determines, in consultation with Vaccinex, that a license under Third Party patent rights or know-how is necessary to exploit the Vaccinex Program IP to make, have made, use, sell, offer to sell, have sold, import, export and otherwise exploit Licensed Products in the Field in the Territory, and Surface pays royalties to one or more Third Parties for such license (collectively, "Third Party Royalties"), then Surface will have the right to reduce the royalties otherwise due to Vaccinex

pursuant to Section 4.4(a) (Royalty Payments) hereof with respect to Net Sales of such Licensed Product, which requires use of such Third Party license, by applying a credit in an amount equal to [***] of the amount of such Third Party Royalties applicable to such Licensed Product; *provided* that the reductions to royalties provided in this Section 4.4(b) (Royalty Adjustments) will not reduce the royalties payable with respect to Net Sales of such Licensed Product during any calendar quarter of the applicable Royalty Term by more than [***] of the royalties otherwise owed to Vaccinex pursuant to Section 4.4(a) (Royalty Payments) hereof. Surface shall provide Vaccinex with documentation of its payment of Third Party Royalties with the affected royalty report that shows such reduction being applied.

e.. Payments. All payments pursuant to this Agreement will be paid in U.S. Dollars, without deduction or exchange, collection or other charges and made by wire transfer to such account as may be specified by Vaccinex to Surface in writing, and are non-refundable. When conversion of payments from any foreign currency is required to be undertaken by Surface, payments shall be converted into U.S. Dollars using the average of the daily exchange rates for such currency quoted by Citibank, N.A. for each of the last [***] banking days of each calendar quarter which is the reporting period. Any undisputed payments under this Agreement that are not made on or before the applicable due date shall bear interest at the lower of (a) the maximum rate permitted by applicable law and (b) the rate of [***] per annum above "Prime" as defined in *The Wall Street Journal* on the payment due date or, if unavailable, on the latest date prior to the payment due date on which such rate is available, calculated on a daily basis on the actual number of days elapsed from the payment due date to the date of actual payment. Surface shall be solely responsible for the payment of all royalties or other amounts, if any, which are payable to third parties arising out of the manufacture, importation, use, offer to sell or sale of Licensed Products. Subject to Section 4.4(b), such amounts paid shall not be deducted from any payments due hereunder.

f.. Invoices. All invoices to Surface under this Agreement will be sent by Vaccinex electronically, via e-mail to [***], in PDF format, unless otherwise agreed by both Parties.

g.. Withholding Taxes. Vaccinex will be liable for all income and other taxes (including interest) ("Taxes") imposed upon any payments made by Surface to Vaccinex under this Agreement ("Payments"). If applicable laws, rules or regulations require the withholding of Taxes, Surface will make such withholding payments and will subtract the amount thereof from the Payments. Surface will submit to Vaccinex appropriate proof of payment of the withheld Taxes, as well as the official receipts, within [***] days. Surface will provide Vaccinex reasonable assistance in order to allow Vaccinex to obtain the benefit of any present or future treaty against double taxation which may apply to the Payments.

h.. Reports, Information, and Inspection.

1. *Reports*. Each payment shall be accompanied by a report showing the associated facts that relate to the payment being made. Regarding Net Sales, the information shall be presented for the calendar quarter with

respect to which the report is delivered, broken down by the identity of the selling party or parties (Surface, its Affiliates, or any Sublicensee), on a country-by-country/region-by-region (to the extent available to Surface) and Licensed Product-by-Licensed Product basis, together with details of the quantities of Licensed Products sold and, the country of manufacture, if different (to the extent available to Surface), applicable offsets, withholding taxes, whether in Combination Products, the royalty due to Vaccinex, and other information as reasonably requested by Vaccinex and available to Surface. All such reports will be treated as the Confidential Information of Surface.

2. *Notification of Marketing Approval*. Surface agrees to notify Vaccinex in writing within thirty (30) days after the date on which Surface, its Affiliates or Sublicensees obtains marketing approval of each Licensed Product in each country in the Territory and to promptly provide Vaccinex with a copy of such notice.

3. *Records and Audit*. Surface agrees, and shall cause its Affiliates and Sublicensees, to keep accurate and complete records for a period of at least [***] years (or such longer period as may correspond to Surface's internal records retention policy) showing the status of development efforts, status of patient dosing, and the manufacturing, sales, use and other disposition of Licensed Products in sufficient detail to evaluate the compliance of Surface and that of its Affiliates and Sublicensees, with the obligations hereunder. Surface will, and shall cause its Affiliates and Sublicensees, to permit all relevant books and records to be audited by an independent accounting firm selected by Vaccinex and reasonably satisfactory to Surface, or Surface’s Affiliate or Sublicensee, as applicable, from time-to-time during regular business hours at such place or places where such records are customarily kept to the extent requested by Vaccinex, but not more than once a year, *provided* that before beginning such audit, such independent accounting firm shall execute an agreement acceptable to Surface by which such independent accounting firm agrees to keep confidential all information reviewed during the audit. Vaccinex agrees to hold in strict confidence all information received and all information learned in the course of any audit, except to the extent necessary to comply with any law, regulation or judicial order. Such examination and audit is to be made at the expense of Vaccinex, except that it shall be at Surface’s expense if the results of the examination and audit reveal that Surface, its Affiliate or its Sublicensee underpaid Vaccinex by more than [***] for the year at issue.

## Article 5.
## PATENT PROSECUTION

a.. Prosecution of Patent Rights.

4. *Reimbursement*. Within [***] days following the Effective Date, Vaccinex will submit to Surface (i) an invoice for any of its unreimbursed expenses (if any) incurred prior to the Effective Date and associated with Prosecution of Selected Antibody Patent Rights (the "Vaccinex Patent Expenses"), and (ii) summary documentation of such Vaccinex Patent Expenses. Surface will pay the undisputed Vaccinex Patent Expenses to Vaccinex within thirty (30) days following Surface's receipt of Vaccinex's invoice and documentation therefore.

5. *Direction of Prosecution*. As of and after the Effective Date, Surface, at its sole expense and in the name of and with the cooperation of Vaccinex, hereby assumes the responsibility for and shall maintain all control, including the selection of counsel, over the Prosecution of the Selected Antibody Patent Rights. At a reasonable time prior to the contemplated filing date, but in any event not less than [***] days prior, Surface shall submit to Vaccinex for review and comment a substantially completed draft of any patent application hereunder before Surface's first filing of such patent application in any jurisdiction, and Vaccinex agrees to review and provide such comments, if any, to Surface on an expedited basis if necessary to avoid loss of patent rights. All expenses of Prosecuting such patents and patent applications shall be borne by Surface. Surface shall provide Vaccinex reports no less frequently than once per calendar year listing all patents and patent applications Prosecuted pursuant to the provisions hereof, including identification of the patents and patent applications by number and country, together with a brief description of the status of the prosecution or patent. Surface shall permit Vaccinex to review and comment on all patent applications, and related decisions and actions under this Section 5.1(b), *provided* that Surface will have all final decision-making rights over Prosecution decisions made with respect to the Selected Antibody Patent Rights. If Surface determines not to file or not to continue to Prosecute any patents or patent applications within the Selected Antibody Patent Rights for any country or region such that patent rights to a Selected Antibody would terminate for that country or region, then Surface shall promptly, and in any event not less than [***] days prior to the date in which a failure to file or respond would prejudice the rights of Vaccinex hereunder, notify Vaccinex in writing of such determination. Vaccinex may then Prosecute such patent or patent application at its own expense in that country or region. If Vaccinex exercises its rights under this Section 5.1(b) with respect to any such patent or patent application in any country or region that Surface has decided not to continue Prosecuting, the licenses set forth in this Agreement shall become non-exclusive but with the same license consideration terms (i.e., fees, payments, royalties) as set forth in Article

4, with respect to such patent or patent application, and patents issued therefrom in that country or region.

6. *Cooperation*. Vaccinex agrees to cooperate with Surface in the preparation, filing, prosecution and maintenance of any Selected Antibody Patent Rights pursuant to this Section 5.1 (Prosecution of Patent Rights). Such cooperation includes executing all papers and instruments, or requiring employees or others to execute such papers or instruments, so as to effectuate the ownership of such Selected Antibody Patent Rights and to enable the filing, prosecution, maintenance, and extension thereof in any country or region. In addition, Vaccinex agrees to cooperate with Surface in obtaining patent term restoration or supplemental protection certificates or their equivalents in any country in the Territory where applicable to the Selected Antibody Patent Rights.

7. *Disclosure*. Each Party agrees that it will not make any public disclosure that would adversely impact the patentability of any Selected Antibody prior to filing of a protective patent in the United States, Europe, Canada and Japan.

8. *Common Interest*. All information exchanged between the Parties, or with or between the Parties' outside patent counsel, including Prosecution counsel, regarding Prosecution of the Selected Antibody Patent Rights will be the Confidential Information of both Parties and potentially be privileged. In addition, the Parties acknowledge and agree that, with regard to such Prosecution of the Selected Antibody Patent Rights, the interests of the Parties are to obtain the strongest patent protection possible, and as such, are aligned and are legal in nature. The Parties agree and acknowledge that they have not waived, and nothing in this Agreement constitutes a waiver of, any legal privilege concerning the Selected Antibody Patent Rights, including privilege under the common interest doctrine and similar or related doctrines.

## Article 6.
## INFRINGEMENT ACTIONS

a.. Notice of Infringement. During the Term, each Party will inform the other Party promptly in writing of any alleged infringement of the Selected Antibody Patent Rights by a Third Party of which it becomes aware, and of any available evidence thereof.

b.. Surface's Right to Enforce and Defend Patent Rights. During the Term of this Agreement, Surface will have the first right, and control over in its sole discretion, but will not be obligated, to take any measures with respect to any Third Party's activities concerning any product, method or service that infringes or misappropriates, or which Surface reasonably suspects infringes or misappropriates, the Selected Antibody Patent Rights (an "Infringing Product"), including (i) by initiating or prosecuting an infringement, misappropriation or other

appropriate suit or action against such Third Party in a court of law (each an "Infringement Action") at its sole expense, or (ii) subject to Section 2.2 (Sublicenses), by granting adequate rights and licenses necessary for continued activities, including development, manufacture or commercialization, concerning any Infringing Product in the Territory to any Third Party who at any time has infringed or misappropriated, or is suspected of infringing or misappropriating, any Selected Antibody Patent Rights. Surface will also have the first right, and control over in its sole discretion, but will not be obligated, to defend any action or proceeding (including a declaratory judgment action or nullification action, re-examination, *inter partes* review, opposition, interference, post-grant review or other proceeding) brought by a Third Party in a court of law or before any patent office that challenges the patentability, validity or enforceability of any Selected Antibody Patent Rights or that seeks a determination that any Infringing Product does not infringe or misappropriate any Selected Antibody Patent Rights, and any appeals of the foregoing (any such action or proceeding a "Challenge Action") in the Territory, at Surface's expense. In furtherance of such right, Vaccinex hereby agrees that Surface may include Vaccinex as a party in any such Infringement Action or Challenge Action and that Vaccinex will provide reasonable assistance to Surface in connection with an Infringement Action or Challenge Action, in each case without expense to Vaccinex. If Surface elects not to exercise its first right with respect to such Infringing Product or Challenge Action, it shall promptly notify Vaccinex of the same. Upon receipt of such notice, Vaccinex shall have the right, but not the obligation, to take any of the measures stated in this Section 6.2 with respect to such Infringing Product or Challenge Action. Both Parties shall cooperate with each other in good faith in the prosecution of any such action or proceeding. The total cost of any such action commenced or defended solely by a Party will be borne by such Party and the other Party will receive a percentage of any recovery or damages for past infringement derived therefrom as follows: the recovered amounts will be used to reimburse the Parties for their reasonable and previously unreimbursed documented costs and expenses, including attorneys' fees incurred in making such recovery (which amounts will be allocated pro rata if insufficient to cover the totality of such expenses) with any remainder to be equally shared by the Parties.

c.. Cooperation. With respect to any Infringement Action or Challenge Action, or any proceeding that a Party may institute to enforce the Selected Antibody Patent Rights pursuant to this Agreement, the other Party will, at the request and expense of the first Party, reasonably cooperate in all respects and, to the extent reasonably practicable, have its employees testify when requested and make available relevant records, information, samples, specimens, and other evidence upon request. If either Party reasonably determines that the other Party is an indispensable party to the action, the other Party hereby consents to be joined. In such event, both Parties shall have the right to be represented in that action by counsel of their own choice and at their own expense.

d.. EU Unitary Patent System. Without limitation of Surface's rights under Article 6 (Infringement Actions), Surface will have the exclusive right to opt-in and opt-out the Selected Antibody Patent Rights from the jurisdiction of the European Union Unified Patent Court when it becomes operational, in accordance with the Unified Patent Court (Regulation (E.U.) No 1257/2012) and its applicable Annexes and Rules of Procedure, as amended and from time to time in effect, and Vaccinex will not do so.

e.. Patent Term Extensions. Surface will have the exclusive right to seek and obtain all available extensions of the Selected Antibody Patent Rights with respect to a Licensed Product, including any supplementary protection certificates, in any country in the Territory. Vaccinex will execute such authorizations and other documents and, at Surface's expense, take such other actions as may be reasonably requested by Surface to obtain any such extensions, restorations and supplementary protection certificates of the Selected Antibody Patent Rights in the Territory.

## Article 7.
## REPRESENTATIONS AND WARRANTIES

a.. Vaccinex. Vaccinex represents and warrants to Surface as follows:

9. Vaccinex (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has the corporate power and authority to enter into this Agreement and to perform its obligations hereunder, and (iii) has taken sufficient steps such that the execution and delivery of this Agreement by Vaccinex and the performance by Vaccinex of its obligations hereunder have been duly authorized by all necessary corporate action.

10. Vaccinex exclusively own all rights, title and interests in and to the Vaccinex Program IP including the patent rights identified on Exhibit B, and Vaccinex exclusively Controls all rights, title and interests in and to the Vaccinex Program IP.

11. As of the Effective Date, there have been no claims, judgments, security interests or settlements with respect to the Vaccinex Program IP, or pending claims or litigation relating to the Vaccinex Program IP.

12. Exhibit B sets forth a complete and accurate list of each of the Selected Antibody Patent Rights as of the Effective Date.

13. Any Selected Antibody Patent Rights existing as of the Effective Date have been duly prepared, filed, prosecuted, obtained, and maintained by Vaccinex in accordance with all applicable laws, rules, and regulations, it being recognized that Vaccinex has conducted such activities based on advice received from external patent agents.

14. The execution and delivery of this Agreement and the performance of Vaccinex's obligations hereunder are not inconsistent with or in breach of any contractual obligations which Vaccinex owes to any Third Party, and will not constitute a violation of any judgment, order or decree of any court, arbitrator, governmental agency or authority binding upon Vaccinex.

b.. Surface. Surface represents and warrants to Vaccinex as follows:

15. Surface is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to perform its obligations hereunder.

16. The execution and delivery of this Agreement by Surface and the performance by Surface of its obligations hereunder have been duly authorized by all necessary corporate action.

17. The execution and delivery of this Agreement and the performance of Surface's obligations hereunder are not inconsistent with or in breach of any contractual obligations that Surface owes to any Third Party and will not constitute a violation of any judgment, order or decree of any court, arbitrator, governmental agency or authority binding upon Surface.

c.. No Other Warranties. EXCEPT AS SPECIFICALLY SET FORTH IN THIS ARTICLE 7, NEITHER PARTY MAKES ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, TITLE, VALIDITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

## Article 8.
## INDEMNIFICATION; LIMITATION OF LIABILITY

a.. Indemnification by Surface. Surface will at all times, during the term of this Agreement and thereafter, indemnify, defend and hold harmless Vaccinex and its Affiliates, sublicensees, directors, officers, agents and employees from any and all liabilities, damages, losses, costs or expenses (including attorneys' and professional fees and other expenses of litigation and/or arbitration) resulting from third party claims arising out of or resulting from: (i) the gross negligence or willful misconduct of Surface (or its directors, officers, employees or agents) hereunder; (ii) the breach by Surface of any representation, warranty or covenant in this Agreement; or (iii) the exercise or practice of the rights granted hereunder to Surface, including the development, manufacture, holding, use, testing, marketing, advertisement, sale or other disposition by Surface, its Affiliates or Sublicensees, of the Licensed Product (or any other product or service offered by Surface, and/or its Affiliates or collaborators), the Selected Antibody, or its related cell lines (or their progeny or derivatives, other biological materials, method, process, device or apparatus), except in each case (i)-(iii), to the extent caused by the gross negligence, willful misconduct or breach of this Agreement of or by Vaccinex.

b.. Indemnification by Vaccinex. Vaccinex will at all times, during the term of this Agreement and thereafter, indemnify, defend and hold harmless Surface and its Affiliates, sublicensees, directors, officers, agents and employees from any and all liabilities, damages, losses, costs or expenses (including attorneys' and professional fees and other expenses of litigation and/or arbitration) resulting from third party claims arising out of or resulting from: (i) the gross negligence or willful misconduct of Vaccinex (or its directors, officers, employees or

agents) hereunder; or (ii) the breach by Vaccinex of any representation, warranty or covenant in this Agreement; except in each case (i)-(ii), to the extent caused by the gross negligence, willful misconduct or material breach of Surface.

c.. Indemnification Procedures. If a Party (the "Indemnitee") intends to claim indemnification under this Article 8 (Indemnification; Limitation of Liability) it will promptly notify the indemnifying Party (the "Indemnitor") in writing of any claim, demand, action or other proceeding for which the Indemnitee intends to claim such indemnification, and the Indemnitor will assume control of the defense thereof, with counsel of its choice; *provided* that Indemnitor will not settle any such proceeding in a manner that requires the Indemnitee to admit to any legal violation or assume any liability that is not paid for in its entirety by Indemnitor without Indemnitee's prior written consent, not to be unreasonably withheld. The Indemnitee will have the right to retain its own counsel and participate in the defense thereof, with the fees and expenses to be paid at its own expense. The indemnity agreement in this Article 8 (Indemnification; Limitation of Liability) will not apply to amounts paid in settlement of any claim, demand, action or other proceeding if such settlement is effected without the consent of the Indemnitor, which consent will not be withheld or delayed unreasonably. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any such action, if prejudicial to its ability to defend such action, will relieve such Indemnitor of any liability or obligation to the Indemnitee under this Article 8 (Indemnification; Limitation of Liability). The Party claiming indemnification under this Article 8 (Indemnification; Limitation of Liability), its employees and agents, will reasonably cooperate with the Indemnitor and its legal representatives in the investigation of any claim, demand, action or other proceeding covered by this indemnification.

## Article 9.
## TERM AND TERMINATION

a.. Term. The term of this Agreement (the "Term") will commence on the Effective Date and will continue in full force and effect until terminated in accordance with Section 9.2 (Termination).

b.. Termination.

18. *Termination for Convenience*. Surface may terminate this Agreement at any time upon [***] days' prior written notice to Vaccinex.

19. *Termination for Cause*. Either Party may terminate this Agreement in its entirety, effective upon written notice to the other Party, if the other Party materially breaches this Agreement and fails to cure such breach within [***] days after receiving written notice thereof, *provided* that if the alleged breaching Party disputes in good faith the existence or materiality of any such breach specified in the notice provided by the other Party, and the alleged breaching Party provides notice of such dispute within such [***] day period then such [***] day cure period will be tolled during the pendency of such dispute and the Party alleging such breach shall not have

the right to terminate this Agreement unless and until such dispute is resolved.

20. *Payment Default*. Notwithstanding Section 9.2(b) (Termination for Cause), if Surface shall at any time default in the payment of any royalty or other payment required by this Agreement, Vaccinex may, at its option, terminate this Agreement upon [***] days' written notice, *provided* that if Surface disputes in good faith the existence of any such payment default specified in the notice provided by Vaccinex, and Surface provides notice of such dispute within such [***] day period, then such [***] day period will be tolled during the pendency of such dispute, provided such dispute is handled as an Expedited Dispute (as defined in Exhibit D). Vaccinex will not have the right to terminate this Agreement unless and until such Expedited Dispute is resolved, and *provided, further* that (a) if Surface has fully cured its default within such period, then the rights and licenses herein granted shall remain in force as if no breach or default had occurred and (b) if any payments are determined to be payable to Vaccinex following the resolution of the dispute, such payment shall be immediately payable with interest as of the original payment due date at the lower of (a) the maximum rate permitted by applicable law and (b) the rate of [***] per annum above "Prime" as defined in *The Wall Street Journal* on the original payment due date or, if unavailable, on the latest date prior to the payment due date on which such rate is available, calculated on a daily basis on the actual number of days elapsed from the payment due date to the date of actual payment.

21. *Diligence Failure*. Notwithstanding Section 9.2(b) (Termination for Cause), Vaccinex may terminate this Agreement in the event that Surface is in material breach of its diligence obligations under Section 3.1 (General Obligation) and fails to cure such material breach within [***] days after receiving written notice thereof from Vaccinex, *provided* that if Surface disputes in good faith the existence or materiality of any such breach specified in the notice provided Vaccinex, and Surface provides notice of such dispute within such [***] day period then such [***] day cure period will be tolled during the pendency of such dispute, and Vaccinex shall not have the right to terminate this Agreement unless and until such dispute is resolved.

22. Subject to applicable laws, Vaccinex may terminate this Agreement immediately upon written notice to Surface in the event that Surface, its Affiliate or Sublicensee Challenges (as defined below) any patent or patent application contained in the Vaccinex Program IP or Other Intellectual Property Rights (each a "Licensed Patent") *provided, however*, that no such termination right shall apply to (i) any Challenge that is commenced by a Sublicensee where Surface demands that such

Sublicensee withdraw such Challenge promptly after Surface becomes aware of such Challenge and terminates the sublicense agreement with the applicable Sublicensee if such Sublicensee does not withdraw such Challenge within [***] days after receipt of notice from Surface, or (ii) providing documents or testimony in response to any discovery requests or court order in a valid legal process. As used in this Section 9.2(e), "Challenge" means to Contest the validity or enforceability of any Licensed Patent in whole or in part, in any court, arbitration proceeding, or other tribunal, including the USPTO, the United States International Trade Commission, or any foreign equivalent thereof. For the avoidance of doubt, the term "Contest" means: (a) commencing, filing, joining in, or assisting a Third Party in filing an action under 28 U.S.C. §§ 2201-2202, seeking a declaration of invalidity or unenforceability of any Licensed Patent or any portion thereof; (b) commencing, filing, joining in, or assisting a Third Party in filing a petition under 35 U.S.C. § 311 to institute *inter-partes* review of any Licensed Patent or any portion thereof; (c) commencing, filing, joining in, or assisting a Third Party in filing a petition under 35 U.S.C. § 321 to institute post-grant review of any Licensed Patent or any portion thereof; or (d) any foreign equivalents of subsection (a) through (c) applicable in any country. As used herein, the term "Contest" does not include any action taken by Surface, its Affiliate or Sublicensee for the sole purpose of complying with the duty to disclose information material to patentability as set forth in 37 CFR 1.56 or any foreign equivalent thereof, or to exercise its rights to Prosecute the Selected Antibody Patent Rights pursuant to Article 5.

c.. Effects of Termination. Upon termination of this Agreement pursuant to Section 9.2 (Termination), all of Surface's unpaid payment obligations to Vaccinex pursuant to Article 4 (License Consideration) will terminate, *provided* that neither Party will be released from any obligation that accrued prior to the effective date of such termination. Upon termination of this Agreement pursuant to Section 9.2 (Termination), all rights granted by Vaccinex to Surface under Article 2 (Grant), including Vaccinex Program IP (including Vaccinex's interest in rights jointly controlled with Surface), will revert to Vaccinex. Surface and any Sublicensee may, after the effective date of such termination, sell all Licensed Products that were produced prior to the effective date of such termination but in any event for no longer than [***] months after the effective date of such termination.

d.. Effect of Termination on Sublicenses. In the event of any termination of this Agreement pursuant to Section 9.2 (Termination), where such termination has not been caused by any action or inaction on the part of any Sublicensee or by any material breach by such Sublicensee of its obligations under its Sublicense from Surface, and termination of this Agreement will be without prejudice to the rights of each non-breaching Sublicensee, and Vaccinex will enter into a license agreement directly with each such Sublicensee (the "New License Agreement") on substantially the same terms and conditions as those set forth in this Agreement; *provided*, *however*, that (a) the New License Agreement will provide that in no event

will such Sublicensee be liable to Vaccinex for any actual or alleged default by Surface of this Agreement, (b) the scope and territory of the license grant under the New License Agreement will be the same as that granted by Surface to such Sublicensee pursuant to the Sublicense between Surface and such Sublicensee, (c) the financial terms of any New License Agreement will be such that Vaccinex will receive no less than the same consideration that it would have received under this Agreement had it not been terminated, and (d) Vaccinex will not have any obligations under the New License Agreement that are greater than or inconsistent with the obligations of Vaccinex under this Agreement. Each such Sublicensee will be deemed a third party beneficiary of this Section 9.4 (Effect of Termination on Sublicenses) with the right to enforce it directly against Vaccinex.

e.. Effect of Termination on IP. Effective upon termination of this Agreement, Vaccinex shall have the option for a period of [***] days to enter into good faith negotiations with Surface for an exclusive, worldwide license (with rights to sublicense) under all intellectual property, including without limitation, pre-clinical or clinical data, regulatory approvals and/or submissions, then owned or Controlled by Surface as of the effective date of termination as reasonably necessary to enable Vaccinex to engage in exclusive development and commercialization of the Selected Antibody and/or the applicable Licensed Product(s).

f.. Survival. The following sections of this Agreement along with applicable definitions in Article 1 (Definitions) applicable thereto will survive termination or expiration of this Agreement: Section 4.8(c) (Records and Audit), Section 9.3 (Effects of Termination), Section 9.4 (Effect of Termination on Sublicensees), Section 9.5 (Effect of Termination on IP), Section 9.6 (Survival), Article 8 (Indemnification; Limitation of Liability), Article 10 (Confidentiality) and Article 11 (Miscellaneous). Except as otherwise provided in this Section 9.6 (Survival), all other provisions of this Agreement will terminate upon the termination of this Agreement.

## Article 10.
## CONFIDENTIALITY

a.. Non-Disclosure. As used herein, the term "Confidential Information" includes any information that may be disclosed by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") in connection with this Agreement, regardless of whether such information is specifically designated as confidential and regardless of whether such information is in oral, written, electronic or other form, *provided* that where such information is disclosed in oral form if the Confidential Information is not of a nature that should reasonably be understood by the Receiving Party as being confidential, then to be considered Confidential Information for the purposes of this Agreement, the Disclosing Party must confirm in writing that such information is to be treated as Confidential Information within [***] days of such disclosure. The Receiving Party will hold Confidential Information in confidence using the same degree of care that it employs for its own highly-sensitive confidential or proprietary information, which will in no event be less than a reasonable standard of care and will use and disclose the Disclosing Party's Confidential Information only for the purpose of performing its obligations and exercising its rights under this Agreement. The Receiving Party may permit those directors, officers,

employees, consultants and advisers who have a need to know the Disclosing Party's Confidential Information to access such Confidential Information, *provided* that such employees are subject to confidentiality obligations that are no less stringent than those under Article 10 (Confidentiality). Notwithstanding the foregoing, Surface may disclose the Confidential Information received from Vaccinex to its advisors or actual or potential acquirers or Sublicensees if such advisors and actual or potential acquirers or Sublicensees agree prior to disclosure to be bound by confidentiality obligations no less stringent than those under Article 10 (Confidentiality). The Receiving Party's obligations under this Section 10.1 (Non-Disclosure) will continue throughout the Term and for five (5) years following the termination or expiration of this Agreement. The existence and terms of this Agreement shall be the Confidential Information of both Parties.

b.. Exceptions. The confidentiality and non-use obligations set forth in Section 10.1 (Non-Disclosure) will not apply to Confidential Information that the Receiving Party can demonstrate by competent written proof: (a) was known by the Receiving Party without restriction prior to disclosure under this Agreement; (b) was lawfully disclosed to the Receiving Party by a Third Party without an obligation of confidentiality; (c) entered the public domain through means other than an unauthorized disclosure or other breach of this Agreement by the Receiving Party; (d) was independently developed by the Receiving Party without knowledge or use of or access to Confidential Information disclosed by the Disclosing Party under this Agreement; (e) was published or publicly disclosed in accordance with the terms of this Agreement; or (f) to the extent such information can be shown to be necessary to file a patent application subject to Section 5.1. Each Party may use or disclose Confidential Information disclosed to it by the other Party to the extent such use or disclosure is reasonably necessary in (i) filing or prosecuting patent applications, (ii) conducting clinical trials, (iii) making a permitted sublicense or otherwise exercising its rights hereunder.

c.. Disclosure Required by Law. Notwithstanding Section 10.1 (Non-Disclosure), limited disclosure of Confidential Information will not be prohibited to the extent such Confidential Information is required to be produced under applicable law. If a Receiving Party is required by law, regulation, court order, or request by an agency of a government to disclose any of the Confidential Information, it will: promptly notify the Disclosing Party, reasonably assist the Disclosing Party to obtain a protective order or other remedy of Disclosing Party's election, and provide prior review of any disclosure to Disclosing Party. Only that portion of the Confidential Information that is legally required will be furnished and reasonable efforts will be made to obtain assurance that the Confidential Information will be maintained in confidence.

d.. Publication. Surface may publish or present the results of research or development carried out on any Selected Antibody or Licensed Product in its sole discretion, *provided* that any publication or presentation that includes Vaccinex's Confidential Information, or relates to Other Vaccinex Intellectual Property Rights, shall be subject to (i) Sections 10.1-10.3 hereto, and (ii) the prior review by Vaccinex, such review period not to exceed [***] days, and Surface shall consider Vaccinex's comments in good faith.

e.. Publicity. Vaccinex may, subject to Surface's review and approval, issue a press release announcing the Parties' entry into this Agreement, *provided* that such press release shall not identify the specific indications of the Selected Antibody and Licensed Product hereunder.

## Article 11.
## MISCELLANEOUS

a.. Force Majeure. Neither Party shall be responsible to the other for failure or delay in performing any of its obligations under this Agreement or for other non-performance hereof (other than failure to pay) provided that such delay or non-performance is occasioned by a cause beyond the reasonable control and without fault or negligence of such Party, including, but not limited to earthquake, fire, flood, explosion, discontinuity in the supply of power, court order or governmental interference, or act of God, and provided that such Party will inform the other Party of such event as soon as is reasonably practicable and that it will use commercially reasonable efforts to perform its obligations immediately after the relevant cause has ceased its effect.

b.. Validity. Should one or several provisions of this Agreement be or become invalid, then the Parties shall substitute for such invalid provisions valid ones, which in their economic effect come so close to the invalid provisions that it can be reasonably assumed that the Parties would have contracted this Agreement with those new provisions. In the event that such provisions cannot be determined, the invalidity of one or several provisions of the Agreement shall not affect the validity of the Agreement as a whole, unless the invalid provisions are of such essential importance for this Agreement that it is to be reasonably assumed that the Parties would not have contracted this Agreement without the invalid provisions.

c.. Disputes. Any claim, dispute or controversy arising out of or in connection with or relating to this Agreement shall be submitted for adjudication in Federal District Court in the Southern District of New York, USA.

d.. Notices. Any legal notice required or permitted to be given under this Agreement shall be in writing and shall be sent by expedited delivery or emailed with receipt confirmed in writing, as follows and shall be effective upon receipt:

If to Vaccinex:

President
Vaccinex, Inc.
1895 Mt. Hope Avenue
Rochester, NY 14620
USA
EMAIL: [***]

If to Surface:

Chief Legal Officer
Surface Oncology, Inc.
50 Hampshire Street, 8th Floor

Cambridge, Massachusetts 02139
USA
EMAIL: [***]

Either Party may update the contact information in this Section 11.4 upon written notice to the other Party by email with receipt confirmed in writing.

e.. Governing Law. Except as otherwise set forth in this Agreement the validity, performance, construction, and effect of this Agreement shall be governed by the laws of the state of New York, without regard to its conflict of law rules.

f.. Entire Agreement. This Agreement, if executed, constitutes the entire agreement between the Parties with respect to the subject matter within and supersede all previous agreements, whether written or oral. This Agreement shall not be changed or modified orally, but only by an instrument in writing signed by both Parties.

g.. Waiver. No waiver or release of any obligation under or provision of this Agreement shall be valid or effective unless in writing and signed by the waiving Party. The failure of either Party to insist on the performance of any obligation hereunder shall not be deemed to be a waiver of such obligation. Waiver of any provision hereunder or of any breach of any provision hereof shall not be deemed to be a continuing waiver or a waiver of any other breach of such provision (or any other provision) on such occasion or any succeeding occasion.

h.. Assignment. The rights of either Party under this Agreement may not be assigned, and the duties of either Party under this Agreement may not be delegated, without the prior written consent of the other Party, which consent shall not be unreasonably withheld; *provided*, *however*, that either Party may assign this Agreement without prior written consent to an Affiliate of such Party or to a party which acquires all or substantially all of that Party's business to which this Agreement relates, whether by merger, sale of assets or otherwise.

i.. Export. Each Party acknowledges that the laws and regulations of the U.S. restrict the export and re-export of commodities and technical data of U.S. origin. Each Party agrees that it will not export or re-export restricted commodities or the technical data of the other Party in any form without the appropriate U.S. and foreign government licenses.

j.. Headings. Any headings and captions used in this Agreement are for convenience and reference only and are not a part of this Agreement.

k.. Independent Contractors. The relationship between Vaccinex and Surface hereunder will be that of independent contractors and neither Party shall have the authority to bind or commit the other to any third party. Nothing in this Agreement will be construed to create a joint venture, partnership, agency or employer-employee relationship between the Parties and Vaccinex shall be solely responsible for all employment and withholding taxes applicable to the services provided by its employees and contractors under this Agreement.

l.. NO INDIRECT DAMAGES. EXCEPT FOR DAMAGES RESULTING FROM A PARTY'S BREACH OF CONFIDENTIALITY OR OF SECTIONS 7.1(b), 7.1(f) OR 7.2(c), OR GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR IN CONNECTION WITH A PARTY'S INDEMNIFICATION OBLIGATIONS HEREUNDER, NEITHER PARTY WILL BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, MULTIPLE, PUNITIVE, EXEMPLARY OR OTHER INDIRECT DAMAGES, AND NEITHER PARTY WILL BE RESPONSIBLE FOR LOST PROFITS OR LOST REVENUES, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES.

m.. Counterparts. This Agreement may be executed in any number of counterparts (which may be transmitted in the form of a facsimile or pdf), each of which shall be an original, and all of which shall constitute together but one and the same document.

n.. Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa. The words "include" and "including" shall mean respectively includes and including without limitation. The word "or" shall not be deemed to be used in the exclusive sense and shall instead be used in the inclusive sense to mean "and/or." Each Party signing this Agreement acknowledges that such Party has had the opportunity to review this Agreement with legal counsel of such Party's choice, and there shall be no presumption that ambiguities shall be construed or interpreted against the drafter.

[*Signature Page to Exclusive License Agreement Follows*]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the Effective Date.

**vaccinex, INC.**

By /s/ Maurice Zauderer

Name: Maurice Zauderer, Ph.D.
Title: President & Chief Executive Officer

**SURFACE ONCOLOGY, INC.**

By /s/ Jeff Goater

Name: Jeff Goater
Title: Chief Executive Officer

By /s/ Jessica Fees

Name: Jessica Fees
Title: Senior Vice President, Finance

[*Signature Page to Exclusive Product License Agreement*]

# EXHIBIT B

## SELECTED ANTIBODY PATENT RIGHTS

**[***]**

ACTIVE/109608558.2

# EXHIBIT C

## SELECTED ANTIBODIES

**[***]**

**EXHIBIT D**

Determination of Combination Product Value

[***]

ACTIVE/109608558.2

**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, Robert W. Ross, M.D., 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 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any 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 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: May 5, 2021

/s/ Robert W. Ross, M.D.

Robert W. Ross, M.D.
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**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, Jessica Fees, 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 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2021

/s/ Jessica Fees

Jessica Fees
Chief Financial Officer
(Principal 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 March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert W. Ross, M.D., 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.

Date: May 5, 2021

/s/ Robert W. Ross, M.D.

Robert W. Ross, M.D.
Chief Executive Officer
(Principal Executive Officer)

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

**Exhibit 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Surface Oncology, Inc. (the "Company") for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jessica Fees, Chief Financial 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.

Date: May 5, 2021

/s/ Jessica Fees

Jessica Fees
Chief Financial Officer
(Principal Financial and Accounting Officer)

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