As filed with the Securities and Exchange Commission on October 24, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Dynavax Technologies Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**2836**	**94-3378733**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

717 Potter Street, Suite 100

Berkeley, CA 94710-2722
(510) 848-5100
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

Dino Dina, M.D.

President and Chief Executive Officer
Dynavax Technologies Corporation
717 Potter Street, Suite 100
Berkeley, CA 94710-2722
(510) 848-5100
(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)

Copies to:

John W. Campbell, Esq.	**Alan C. Mendelson, Esq.**
Morrison & Foerster LLP	**Patrick A. Pohlen, Esq.**
425 Market Street	**Latham & Watkins LLP**
San Francisco, California 94105	**135 Commonwealth Drive**
	Menlo Park, California 94025

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $.001 par value per share	$90,000,000	$7,281

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 24, 2003

Prospectus

shares

Common Stock

This is the initial public offering of Dynavax Technologies Corporation. No public market currently exists for our common stock.

We currently anticipate the initial public offering price of our common stock to be between $ and $ per share. We applied to have our common stock listed on the Nasdaq National Market under the symbol “DVAX.”

Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 6.

Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds, Before Expenses, to Dynavax	$	$

We have granted the underwriters a 30-day option to purchase up to additional shares to cover any over-allotments.

Delivery of shares will be made on or about , 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

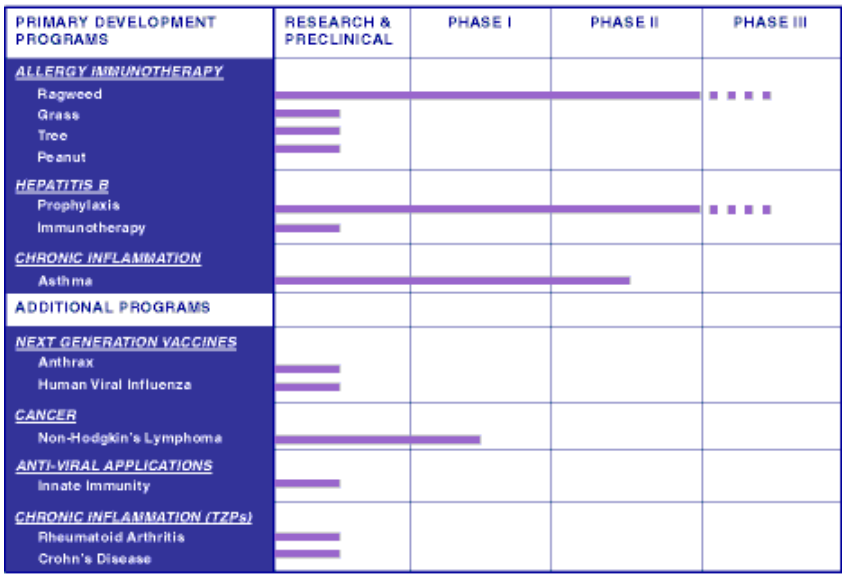
Bear, Stearns & Co. Inc. **Deutsche Bank Securities**

U.S. Bancorp Piper Jaffray

The date of this prospectus is , 2003

DYNAVAX

DYNAVAX TECHNOLOGIES



We plan to initiate Phase III trials in 2004. See "Business – Clinical Status."

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Until , 2003 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the U.S.: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the U.S. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

PROSPECTUS SUMMARY

This summary highlights information found in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before buying our common stock. We urge you to read the entire prospectus carefully, especially the discussion of the risks of investing in our common stock under "Risk Factors," before deciding to buy our common stock.

Our Business

We discover, develop and intend to commercialize innovative products to treat and prevent allergies, infectious diseases and chronic inflammatory diseases. Our clinical development programs are based primarily on proprietary immunostimulatory sequences, or ISS, which are short DNA sequences that reprogram the immune system's response to infectious pathogens and enhance its ability to fight disease and control chronic inflammation. Based on results from Phase II trials, we plan to initiate Phase III trials for two ISS-based product candidates in 2004. We have a third product candidate in early Phase II trials and a number of earlier stage clinical and preclinical programs. We retain full commercial rights for all of our product candidates.

Lead Product Candidates

Our lead product candidates, which are based on a single proprietary ISS, address large market segments and we believe they provide significant advantages over current therapies. These product candidates include:

- *AIC for Ragweed Allergy.* We are currently planning a two-year, multi-site Phase III trial in the U.S. to evaluate the efficacy of AIC and plan to begin enrolling patients in the first quarter of 2004. Ragweed allergy is the most common seasonal allergy in North America. Unlike existing products, which treat chronic ragweed allergy symptoms, AIC targets the underlying cause of ragweed-induced seasonal allergic rhinitis. In ten Phase I and Phase II trials completed to date, AIC provided evidence of clinical improvement and appeared to be well tolerated.

- *Hepatitis B Prophylaxis.* We are nearing completion of two Phase II trials and are currently planning to initiate Phase III trials outside of the U.S. in 2004 for our hepatitis B virus, or HBV, vaccine. In Phase I and Phase II trials our HBV vaccine induced more rapid immunity with fewer immunizations compared to currently available vaccines. We believe that our HBV vaccine has the potential to increase efficacy achieved in the field, decreasing the spread of hepatitis B. We intend to commercialize our HBV vaccine only outside the U.S.

- *Asthma.* Our inhaled therapeutic product candidate for asthma is in a pilot Phase II trial. Results from our Phase I trial demonstrated that our product candidate was well tolerated and may have the potential to suppress both clinical symptoms and the underlying inflammatory response associated with asthma. Our asthma product candidate may confer long-term relief following a single course of administration, providing advantages over current treatments, which require chronic use.

Other Product Candidates

Beyond these lead product candidates, we have an ISS-based cancer therapeutic in Phase I trials and preclinical programs targeting additional allergies, antiviral therapies and next generation vaccines using our ISS technology. We have also developed a number of advanced proprietary ISS compositions and formulations that make use of the different ways in which the innate immune system responds to ISS. In addition, we are developing drugs based on a novel class of small molecule compounds called thiazolopyrimidines, or TZPs, for the treatment of certain chronic inflammatory diseases.

Benefits of ISS

We believe ISS have the following benefits:

- ISS work by reprogramming the immune system responses that cause disease, rather than just treating the symptoms of disease;
- ISS influence immune system responses in targeted and highly specific ways by reprogramming only certain cells involved in specific disease pathways. As a result, ISS do not alter the ability of the immune system to mount an appropriate response to other infecting pathogens or cause a generalized activation of the immune system, which might otherwise give rise to an autoimmune response; and
- ISS, in conjunction with allergens or antigens, establish populations of memory cells, allowing the immune system to respond appropriately to future encounters with these specific pathogens or allergens, leading to long-lasting therapeutic effects.

Strategy

Our goal is to become a leading biopharmaceutical company focused on discovering, developing and commercializing therapeutics for the treatment of allergies, infectious diseases and chronic inflammatory diseases. The key elements of our business strategy include:

- completing the development and commercialization of our lead product candidates;
- continuing to advance and build our product portfolio focused on allergies, infectious diseases and chronic inflammatory diseases;
- continuing the development of our proprietary ISS technologies to further expand the versatility and potency of our second generation product candidates;
- maintaining ownership of lead product candidates, generally through demonstration of clinical efficacy;
- selectively establishing corporate collaborations with global pharmaceutical and biotechnology companies to assist in the further joint development and commercialization of our products; and
- potentially building a small direct sales organization targeting narrow specialty or therapeutic areas, where feasible.

Other Information

We were incorporated in California in August 1996 under the name Double Helix Corporation, and we changed our name to Dynavax Technologies Corporation in September 1996. We reincorporated in Delaware in 2001. Our principal offices are located at 717 Potter Street, Suite 100, Berkeley, California 94710-2722. Our telephone number is (510) 848-5100. Our Internet address is www.dynavax.com. Information contained on our website does not constitute a part of this prospectus.

Dynavax Technologies is a registered trademark of Dynavax Technologies Corporation. Each of the other trademarks, trade names or services marks appearing in this prospectus belongs to its respective holder.

The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	For continued development of clinical and preclinical stage programs and for general corporate purposes. See "Use of Proceeds" for more information.
Proposed Nasdaq National Market symbol	DVAX

The number of shares of common stock to be outstanding immediately after the offering is based upon 17,673,756 shares of common stock outstanding as of September 30, 2003. This number assumes the exchange of 15,200,000 ordinary shares of our subsidiary, Dynavax Asia Pte. Ltd., issued in October 2003, into 2,111,111 shares of our common stock upon the completion of this offering and the automatic conversion of all shares of preferred stock outstanding as of September 30, 2003 into 13,712,128 shares of common stock upon the completion of this offering (which includes 100,102 anti-dilution shares of common stock that are issuable to existing preferred stockholders as a result of the issuance of ordinary shares of Dynavax Asia Pte. Ltd.).

This number excludes:

- 911,695 shares of common stock issuable upon the exercise of options outstanding as of September 30, 2003 at a weighted average exercise price of $2.13 per share;
- shares of common stock reserved for issuance under our 2003 stock incentive plan and our 2003 non-employee director option program, which will become effective upon the closing of this offering;
- shares of common stock available for issuance under our 2003 employee stock purchase plan, which will become effective upon the closing of this offering; and
- 84,411 shares of common stock issuable upon the exercise of a warrant at the exercise price of $6.18 per share.

Unless otherwise noted, all information in this prospectus assumes that:

- we have completed a one-for-three reverse stock split of our common stock prior to the closing of this offering;
- the underwriters will not exercise their option to purchase additional shares of common stock to cover over-allotments, if any; and
- all outstanding shares of our preferred stock will have converted automatically into shares of common stock upon the closing of this offering.

Summary Consolidated Financial Data

You should read the following summary financial data in conjunction with our consolidated financial statements and the related notes, "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
			(in thousands, except per share amounts)			(unaudited)	
Consolidated Statements of Operations Data:							
Collaboration and other revenue	$ —	$ 450	$ 2,054	$ 2,359	$ 1,427	$ 1,356	$ 119
Operating expenses:							
Research and development*	5,978	6,049	8,267	17,363	15,965	12,050	10,050
General and administrative*	1,116	1,396	3,451	4,527	4,121	3,094	3,210
Total operating expenses	7,094	7,445	11,718	21,890	20,086	15,144	13,260
Loss from operations	(7,094)	(6,995)	(9,664)	(19,531)	(18,659)	(13,788)	(13,141)
Interest income, net	316	436	1,149	1,119	621	463	329
Net loss	(6,778)	(6,559)	(8,515)	(18,412)	(18,038)	(13,325)	(12,812)
Deemed dividend related to beneficial conversion feature of mandatorily redeemable convertible preferred stock	—	—	(18,209)	—	—	—	—
Net loss attributable to common stockholders	$(6,778)	$(6,559)	$(26,724)	$(18,412)	$(18,038)	$(13,325)	$(12,812)
Net loss per share attributable to common stockholders, basic and diluted	$(11.39)	$ (7.72)	$ (20.86)	$ (11.96)	$ (10.60)	$ (7.94)	$ (7.21)
Shares used in computing net loss per share attributable to common stockholders, basic and diluted	595	850	1,281	1,539	1,701	1,678	1,778
Pro forma net loss per share attributable to common stockholders, basic and diluted(1)					$ (1.28)		$ (0.83)
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted(1)					14,063		15,390

* Includes non-cash charges for stock-based compensation expense as follows (in thousands):

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
						(unaudited)	
Research and development	$ —	$ 94	$ 492	$1,007	$ 953	$ 734	$ 790
General and administrative	—	52	699	1,049	868	744	360
	$ —	$146	$1,191	$2,056	$1,821	$1,478	$1,150

(1) See Note 3 to our Notes to Consolidated Financial Statements for a description of pro forma net loss per share attributable to common stockholders.

The summary unaudited consolidated balance sheet data as of September 30, 2003 is presented below:

- on an actual basis;
- on a pro forma basis to reflect the sale of 15,200,000 shares of ordinary stock of our subsidiary, Dynavax Asia Pte. Ltd., issued in October 2003 for gross proceeds of $15.2 million.
- on a pro forma as adjusted basis to reflect the sale of shares of common stock offered by this prospectus at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions, estimated offering expenses payable by us and a one-time cash payment to the University of California of $ based on the initial public offering price of $ per share and the automatic conversion of all shares of preferred stock outstanding as of September 30, 2003 into 13,712,128 shares of common stock upon the completion of this offering (which includes 100,102 anti-dilution shares of common stock that are issuable to existing preferred stockholders as a result of the issuance of ordinary shares of Dynavax Asia Pte. Ltd.), and the exchange of 15,200,000 shares of ordinary stock of Dynavax Asia Pte. Ltd. into 2,111,111 shares of our common stock upon the completion of this offering.

	September 30, 2003		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited) (in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and marketable securities	$ 17,558	$ 32,758	$
Working capital	14,617	29,817	
Total assets	19,141	34,341	
Convertible preferred stock	83,635	83,635	
Total stockholders' equity (net capital deficiency)	(68,042)	(52,842)	

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus, including our consolidated financial statements and the related notes, before you purchase any shares of our common stock. The trading price of our common stock could decline due to any of these risks or uncertainties, and you may lose part or all of your investment. Additional risks and uncertainties, including those generally affecting the market in which we operate or that we currently deem immaterial, may also impair our business.

Risks Related to our Business

We have incurred substantial losses since inception and do not have any commercial products that generate revenue.

We have experienced significant operating losses in each year since our inception in August 1996. Before 2003, almost all of our revenue resulted from payments made under collaboration agreements that have since lapsed or been terminated. Currently, all of our revenue results from payments received under various government grant programs. These grants are subject to annual review based on the achievement of milestones and other factors and will terminate in 2006 at the latest. Our accumulated deficit was approximately $74.8 million as of September 30, 2003, and we anticipate that we will incur substantial additional operating losses for the foreseeable future. These losses have been, and will continue to be, principally the result of the various costs associated with our research and development activities. We expect our losses to increase primarily as a consequence of our continuing product development efforts.

We do not have any products that generate revenue. We expect to begin Phase III trials in 2004 for two of our product candidates, AIC for ragweed allergy and our hepatitis B virus, or HBV, vaccine. Our product candidates may never be commercialized, and we may never generate product-related revenue. Our ability to generate revenue depends upon:

- demonstrating in clinical trials that our product candidates are safe and effective, in particular, in the planned Phase III trials for AIC and our HBV vaccine;
- obtaining regulatory approvals for our product candidates in the U.S. and international markets;
- entering into collaborative relationships on commercially reasonable terms for the development, manufacturing, sales and marketing of our product candidates, and then successfully managing these relationships; and
- commercial acceptance of our products, in particular AIC and our HBV vaccine.

If we are unable to generate revenues or achieve profitability, we may be required to significantly reduce or discontinue our operations or raise additional capital under adverse circumstances.

Our product candidates are unproven, and we may be unable to develop safe and effective products.

None of our product candidates has been proven safe and effective in clinical trials, and we face the risks inherent in developing drugs based on new compounds and technologies, including that we may be unable to demonstrate their safety and effectiveness. We may decide to discontinue development of any or all of these product candidates based on results at any stage of clinical trials or for other reasons. Even if the clinical trial results for our product candidates are favorable, we may decide not to commercialize one or more of these products.

Currently, only three of our product candidates have advanced to Phase II clinical trials: AIC, our HBV vaccine and our inhaled therapeutic for treatment of asthma. We have only limited clinical data for these product candidates. In particular, in one of our Phase II trials for AIC, which was conducted in Canada in 2001 and 2002, there was no impact on clinical symptom scores or medication use in the first year of the two-year trial. We will need to demonstrate in Phase III clinical trials that each product candidate is safe and effective before we can obtain necessary approvals from the Food and Drug Administration, or FDA, and foreign regulatory agencies.

We must, among other requirements, complete carefully controlled and well-designed clinical trials demonstrating that a particular product is safe and effective. We cannot depend on data from prior trial results to predict or demonstrate that our products are safe and effective under regulatory guidelines to qualify for commercial sale.

Failure to complete such clinical trials and to demonstrate that our products are safe and effective could have a material adverse effect on our business.

Our product candidates in clinical trials rely on a single lead ISS compound, 1018 ISS, and most of our earlier stage programs rely on ISS-based technology. Serious adverse safety data relating to either 1018 ISS or other ISS-based technology would significantly harm our business.

Our product candidates in clinical trials are based on 1018 ISS, and substantially all of our research and development programs use ISS-based technology. If any of our product candidates in clinical trials produce serious adverse safety data, we may be required to delay or discontinue all of our clinical trials, which would significantly harm our business. Moreover, if such adverse safety data are found to apply to our ISS-based technology as a whole, we may be required to discontinue operations.

Our success depends on our product candidates being approved through regulatory approval processes that are uncertain, time-consuming and expensive. Regulatory approvals may be withheld or delayed, which would negatively impact our operations.

Any product candidate we develop is subject to extensive regulation by Federal, state and local governmental authorities in the U.S., including the FDA, and by foreign regulatory agencies. Any product candidate we develop must receive all relevant regulatory approvals or clearances before it may be marketed in the U.S. or other countries. None of our product candidates has been approved for sale in the U.S. or any foreign market. Our success is primarily dependent on our ability to obtain regulatory approval for AIC and our HBV vaccine. We intend to commercialize our HBV vaccine only outside the U.S., which will require us to seek approval from foreign regulatory agencies.

In order to receive regulatory approvals, we must conduct extensive preclinical studies and clinical trials for each product candidate to establish safety and efficacy. Approval processes, in the U.S. and in other countries, are uncertain, take many years and require the expenditure of substantial resources. Despite the time and resources expended, regulatory approvals are never guaranteed. Delays or product development failure can occur at any stage of clinical trials and as a result of many factors, certain of which are not under our control, including:

- lack of efficacy, or incomplete or inconclusive results from clinical trials;
- unforeseen safety issues;
- failure by investigators to adhere to protocol requirements including patient enrollment criteria;
- slower than expected rate of patient recruitment;
- failure by subjects to comply with trial protocol requirements;
- inability to follow patients adequately after treatment;
- inability to qualify and enter into arrangements with third parties to manufacture sufficient quality and quantities of materials for use in clinical trials;
- failure by a contract research organization, or CRO, to fulfill contractual obligations; and
- adverse changes in regulatory policy during the period of product development or the period of review of any application for regulatory approval or clearance.

The number of preclinical studies and clinical trials that will be required for FDA and foreign regulatory agency approvals varies depending on the product candidate, the disease or condition for which the product candidate is in development and regulations applicable to any particular drug candidate. Data obtained from

preclinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. Further, the results from preclinical testing and early clinical trials are often not predictive of results obtained in later clinical trials. Many new drugs that have shown promising results in early clinical trials subsequently failed to establish sufficient safety and efficacy to obtain regulatory approval.

We are currently planning to initiate Phase III trials for AIC in the U.S. and for our HBV vaccine outside the U.S. in 2004. The FDA or foreign regulatory agencies may require us to conduct additional clinical trials prior to approval in their jurisdictions.

We may suspend or terminate clinical trials at any time for various reasons, including regulatory actions by the FDA or foreign regulatory agencies, actions by institutional review boards, or IRBs, failure to comply with good clinical practice requirements and concerns regarding health risks to test subjects. In addition, our ability to conduct clinical trials for some of our product candidates, notably AIC and our asthma product candidate, is limited due to the seasonal nature of ragweed allergy and allergic asthma. Even a small delay in a trial for any of these product candidates could require us to delay commencement of the trial until the next appropriate season, which could result in a delay of an entire year. Consequently, we may experience additional delays in obtaining regulatory approval for these product candidates.

Any delay in or failure to obtain regulatory approval for our product candidates will:

- adversely affect our ability to commercialize or market any product candidates we may develop;
- impose significant additional costs on us;
- potentially diminish any competitive advantages that we may attain;
- adversely affect our ability to enter into collaborations, receive milestone payments or royalties from potential collaborators; and
- limit our ability to obtain additional financing on acceptable terms, if at all.

We intend to develop, seek regulatory approval for and market our product candidates outside the U.S., requiring a significant commitment of resources. Failure to successfully develop, obtain regulatory approval for or successfully market our product candidates outside the U.S. could have a substantial negative impact on our business.

Developing, seeking regulatory approval for and marketing our product candidates outside the U.S. could impose substantial burdens on our resources and divert management's attention from domestic operations. We currently intend to conduct certain operations relating to our HBV vaccine and HBV therapeutic product candidate through Dynavax Asia Pte. Ltd., or Dynavax Asia, our subsidiary based in Singapore. Dynavax Asia may conduct the majority of our Phase III trials for our HBV vaccine in Asia. We expect to continue preclinical research and, if merited, early clinical trials for our HBV therapeutic program through Dynavax Asia. Additionally, Dynavax Asia may conduct preclinical research into the development of advanced ISS formulations. We may also conduct operations in other foreign jurisdictions. We intend to commercialize our HBV vaccine only outside the U.S. due to the presence of third-party patents covering HBsAg in the U.S. that extend until as late as 2019.

International operations are subject to risk, including:

- the difficulty of managing geographically distant operations;
- compliance with varying international regulatory requirements;
- securing international distribution, marketing and sales capabilities;
- adequate protection of our intellectual property rights;
- difficulties and costs associated with complying with a wide variety of complex international laws and treaties;
- legal uncertainties and potential timing delays associated with tariffs, export licenses and other trade barriers;

• adverse tax consequences; and

• geopolitical risks.

Any of the factors described above or other unforeseen factors that may negatively affect our international operations could adversely affect our operating results.

In connection with our anticipated future international operations, we may be subject to foreign currency risks. In particular, gains and losses on the conversion of foreign payments into U.S. dollars may contribute to fluctuations in our results of operations and fluctuating exchange rates could cause reduced gross revenues and/or gross margins from non-dollar-denominated international sales.

We may be unsuccessful in establishing and managing collaborative relationships, which may significantly limit our ability to develop and commercialize our products successfully, if at all.

We will have to establish domestic and international sales, marketing and distribution capabilities across diverse therapeutic areas for the commercialization of our product candidates. We presently have no collaborative relationships providing these capabilities, and the process of establishing collaborative relationships is difficult, time-consuming and involves significant uncertainty. We intend to enter into collaborative relationships, as we deem necessary and appropriate, to establish these capabilities and to provide funding to support our research and development programs. We expect to enter into collaborative relationships in distinct therapeutic areas addressed by our product candidates. Since all of our clinical product candidates contain 1018 ISS, potential collaborators may be reluctant to establish collaborations for our products in distinct therapeutic areas due to common safety risk across therapeutic areas, or for other reasons. If we are unable to establish collaborative relationships on acceptable terms, we may have to delay further development of one or more of our product candidates, undertake development and commercialization activities at our own expense or find alternative sources of funding.

If we fail to establish and successfully manage collaborative relationships, our business and operating results would be harmed. Even if we do establish collaborative relationships, our collaborators may seek to renegotiate or terminate their relationships with us due to unsatisfactory clinical results, a change in business strategy, a change of control or other reasons. In addition, our collaborators may fail to commit sufficient resources to our research and development programs or commercialize our product candidates. If any collaborator fails to fulfill its responsibilities in a timely manner, or at all, our research, clinical development or commercialization efforts related to that collaboration could be delayed or terminated, or it may be necessary for us to assume responsibility for activities that would otherwise have been the responsibility of our collaborator. Failure to establish and maintain successful collaborative relationships could have a substantial negative impact on our business.

If we are unable to secure additional funding, we will have to reduce or discontinue operations.

Because of the significant time it may take to establish and maintain potential collaborative relationships or commercialize our product candidates on our own, we will likely require substantial additional capital resources in order to continue our operations. We will need additional capital to:

• continue funding our research and development programs, including expanding the magnitude and scope of these programs;

• expand the clinical, commercial and business functions within our organization;

• establish and maintain collaborative relationships;

• obtain regulatory approvals for our product candidates;

• launch and successfully commercialize products, if approved;

• prepare, file, prosecute, maintain, defend and enforce patent claims and intellectual property; and

• develop, acquire or license new technologies and products.

We may raise additional funds through public or private equity offerings, debt financings, capital lease transactions, corporate collaborations or other means. We may attempt to raise additional capital due to favorable market conditions or strategic considerations even if we have sufficient funds for planned operations. To the extent that we raise additional funds by issuing equity securities, our stockholders will experience dilution, and debt financings, if available, may involve restrictive covenants or may otherwise constrain our financial flexibility. To the extent that we raise additional funds through collaborative arrangements, it may be necessary to relinquish some rights to our technologies or grant licenses on terms that are not favorable to us. In addition, payments made by potential collaborators, government agencies and other licensors generally will depend upon our achievement of negotiated development and regulatory milestones. Failure to achieve these milestones may significantly harm our future financial position.

Additional financing may not be available on acceptable terms, if at all. Capital may become difficult or impossible to obtain due to poor market or other conditions that are outside of our control. If at any time sufficient capital is not available, either through existing capital resources or through raising additional funds, we may be required to delay, reduce the scope of, eliminate or divest one or more of our research, preclinical or clinical programs or discontinue our operations.

If the combination of patents, trade secrets and contractual provisions that we rely on to protect our intellectual property is inadequate, the value of our product candidates will decrease.

Our success depends on our ability to:

- obtain and maintain commercially valuable patents or the rights to patents both domestically and abroad;
- protect our trade secrets and proprietary technology using adequate security measures and contractual provisions with collaborators and other third parties we do business with;
- operate without infringing upon the proprietary rights of others; and
- prevent others from successfully challenging or infringing our proprietary rights.

We will be able to protect our proprietary rights from unauthorized use only to the extent that these rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. We try to protect our proprietary rights by filing and prosecuting U.S. and foreign patent applications. We have 14 issued U.S. and foreign patents and nine pending U.S. and foreign applications covering methods and compositions for DNA vaccination. We have ten issued U.S. and foreign patents, 33 pending U.S. applications and 73 pending foreign applications directed to ISS compositions and methods of use. We have eight issued U.S. and foreign patents covering methods and compositions for inhibitors of tumor necrosis factor, or TNF-alpha, as well as eight pending U.S. and foreign patent applications.

Legal standards relating to the validity and scope of patent claims in the biopharmaceutical field can be highly uncertain, are still evolving and involve complex legal and factual questions for which important legal principles remain unresolved. The biopharmaceutical patent environment outside the U.S. is even more uncertain. We may be particularly affected by this for products with significant markets outside the U.S. For example, we expect to market our HBV vaccine, if approved, in foreign countries with high incidences of HBV, particularly in Asia. Accordingly, the degree of future protection for our proprietary rights is uncertain. The risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- we might not have been the first to make the inventions covered by each of our pending patent applications and issued patents;
- we might not have been the first to file patent applications for these inventions;
- the pending patent applications we have filed or to which we have exclusive rights may not result in issued patents or may take longer than we expect to result in issued patents;
- the claims of any patents that are issued may not provide meaningful protection;

- our issued patents may not provide a basis for commercially viable products, may be challenged by third parties, or may not be valid or enforceable;
- we might not be able to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us or our collaborators may not provide a competitive advantage;
- patents issued to other companies, universities or research institutions may harm our ability to do business;
- other companies, universities or research institutions may independently develop similar or alternative technologies or duplicate our technologies and commercialize discoveries that we attempt to patent; and
- other companies, universities or research institutions may design around technologies we have licensed, patented or developed.

We also rely on trade secret protection and confidentiality agreements to protect our interests in proprietary know-how that is not patentable and for processes for which patents are difficult to enforce. We cannot be certain that we will be able to protect our trade secrets adequately. Any leak of confidential data into the public domain or to third parties could allow our competitors to learn our trade secrets.

If third parties successfully assert that we have infringed their patents and proprietary rights or challenge the validity of our patents and proprietary rights, we may become involved in intellectual property disputes and litigation that would be costly and time consuming, and we may be unable to commercialize some of our product candidates, which would have a material adverse effect on our business.

Our commercial success depends significantly on our ability to operate our business without infringing the patents and other proprietary rights of third parties. If we are found to do so, we may be unable to pursue product development, enter into strategic partnerships or commercialize our technologies and product candidates, which would significantly harm our business.

We may be exposed to future litigation by third parties based on claims that our product candidates, proprietary technologies or the licenses on which we rely, infringe their intellectual property rights, or we may be required to enter into litigation to enforce patents issued or licensed to us or to determine the scope or validity of another party's proprietary rights. If we become involved in any litigation, interference or other administrative proceedings related to our intellectual property or the intellectual property of others, we will incur substantial expenses and it will divert the efforts of our technical and management personnel. These proceedings involve complex legal and factual questions and their outcome is uncertain. The validity of issued claims, the scope of pending claims and the likelihood of claims being granted cannot be determined with certainty. Others may succeed in challenging the validity of our issued and pending claims. If we are unsuccessful in defending or prosecuting any such claim we could be required to pay substantial damages and we may be unable to commercialize our product candidates or use these proprietary technologies unless we obtain a license from the third party. A license may require us to pay substantial royalties, require us to grant a cross-license to our technology or may not be available to us on acceptable terms. In addition, we may be required to redesign our technology so it does not infringe a third party's patents, which may not be possible or could require substantial funds and time. Any of these outcomes may require us to change our business strategy and could reduce the value of our business.

One of our potential competitors has issued U.S. patent claims, as well as patent claims pending with the U.S. Patent and Trademark Office, that, if held to be valid, could require us to obtain a license in order to commercialize one or more of our formulations of ISS in the U.S., including AIC. We are seeking to have an interference proceeding declared by the U.S. Patent and Trademark Office against that potential competitor. If we are unsuccessful in having the interference declared, or if we are successful but do not prevail in the proceeding, we may not be able to obtain patent protection on the subject matter of the interference, which would have a material adverse impact on our business. In addition, if the interference is not declared or if the

potential competitor prevails in the interference, it may seek to enforce its rights under issued claims, including, for example, by suing us for patent infringement. Consequently, we may seek to obtain a license to issued and/or pending claims held by our potential competitor by paying cash, granting royalties on sales of our products or offering rights to our own proprietary technologies. Such a license may not be available to us on acceptable terms, if at all.

We rely on our licenses from the Regents of the University of California. Impairment of these licenses or our inability to maintain them would severely harm our business.

Our success depends upon our license arrangements with the Regents of the University of California, or UC. We have various license agreements with UC that relate directly to our ISS, TZP and DNA vaccination technologies and to our product candidates. These licenses grant us rights to use the ISS and TZP technologies and are critical to our research and product development efforts.

Our dependence on our UC licenses subjects us to numerous risks, such as disputes regarding the invention and corresponding ownership rights in inventions and know-how resulting from the joint creation or use of intellectual property by us and UC or scientific collaborators. Additionally, our UC agreements generally contain diligence or milestone-based termination provisions, such as a requirement to expend a minimum yearly amount on research and development or to provide semi-annual progress reports regarding our research and development and the commercial development of our product candidates. Our failure to meet any obligations pursuant to these provisions could allow UC to terminate any of these licensing agreements or convert them to non-exclusive licenses. In addition, our UC license agreements may be terminated or may expire by their terms, and we may not be able to maintain the exclusivity of our UC licenses.

In the future, the development and commercialization of our product candidates may require us to negotiate additional license agreements, which we may not be able to do on acceptable terms, or at all. If we cannot obtain or maintain licenses to technologies advantageous or necessary to the development or the commercialization of our product candidates, we may be required to expend significant time and resources to develop or license similar technology. If we are not able to do so, we may be prevented from commercializing some of our product candidates, which would have a substantial negative impact on our business.

If we receive regulatory approval for our product candidates, we will be subject to ongoing FDA obligations and continued regulatory review, which may be costly, subject us to various enforcement actions or limit our ability to market our products.

Any regulatory approvals that we receive for our product candidates are likely to contain requirements for post-marketing follow-up studies. Such studies may be costly and could fail to demonstrate product characteristics that support our marketing objectives. In addition, regulatory approvals, if granted, may include limitations on the indicated uses or the patient population for which the approved product may be marketed. These limitations could reduce the size of the potential market for that product. Product approvals, once granted, may be withdrawn if problems occur after commercialization. Thus, even if we receive FDA and other regulatory approvals, our product candidates may later exhibit qualities that limit or prevent their widespread use or that force us to withdraw those products from the market.

In addition, we or our contract manufacturers will be required to adhere to Federal regulations setting forth current good manufacturing practice, known as cGMP. The regulations require that our product candidates are manufactured and our records maintained in a prescribed manner with respect to manufacturing, testing and quality control activities. Furthermore, we or our contract manufacturers must pass a pre-approval inspection of manufacturing facilities by the FDA and foreign regulatory agencies before obtaining marketing approval and will be subject to periodic inspection by the FDA and corresponding foreign regulatory agencies under reciprocal agreements with the FDA. Such inspections may result in compliance issues that could prevent or delay marketing approval or require the expenditure of money or other resources to correct. Failure to comply with applicable requirements may result in warning letters, fines,

injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to renew marketing applications and criminal prosecution, any of which could be harmful to our business.

We rely on third parties to supply component materials necessary for our clinical product candidates. Loss of these suppliers or failure to replace them may delay our clinical trials and research and development efforts and may result in additional costs, which would preclude us from manufacturing our product candidates on commercially reasonable terms.

We have relied on a single contract manufacturer to produce our ISS for clinical trials. While we have identified several additional manufacturers with whom we could contract for the manufacture of ISS, we have not entered into agreements with them and loss of our current supplier could delay development or commercialization of our product candidates. To date, we have manufactured only small quantities of ISS for research purposes. If we were unable to replace our existing supplier for ISS, we would incur both capital and operating costs and potential delay in establishing an in-house ISS manufacturing capability. We cannot assure you that we or other third parties could produce ISS at a cost, quantity and quality that is available from our current third-party supplier.

AIC consists of 1018 ISS linked to Amb a 1, which is purified from ragweed pollen that we purchase from our multiple commercial suppliers on an as-needed basis. If we are unable to purchase ragweed pollen from commercial suppliers, we may be required to contract directly with collectors of ragweed pollen, which may in turn subject us to unknown pricing and supply risks. As we develop products addressing other allergies, including grass, tree and peanut allergies, we may face similar supply risks.

In the past, AIC was produced for us by a single contract manufacturer under our direct supervision in its facility. That manufacturer no longer offers contract manufacturing services, requiring us to locate an alternate contract manufacturer or to manufacture AIC ourselves. We believe that our existing supplies of AIC are sufficient for us to conduct our currently planned Phase III clinical trial. If we elect to establish an internal commercial-scale manufacturing capability, we would need to invest in capital equipment and facilities necessary to support such an internal capability. Instead, we plan to qualify and enter into manufacturing agreements with one or more new commercial-scale contract manufacturers to produce additional supplies of AIC as required for completion of clinical trials and commercialization. Failure to do so would lead to a delay in commercial development of AIC and may result in higher manufacturing costs than we have experienced to date.

Our HBV vaccine consists of 1018 ISS combined with hepatitis B surface antigen, or HBsAg. We have acquired HBsAg for our clinical trials to date from a single commercial manufacturer. However, we lost that source of supply as a result of the acquisition of that supplier by another company. We are currently in discussions with several potential suppliers of HBsAg to secure a supply of antigen necessary to permit us to commence our planned Phase III trials and, if approved by regulatory authorities, to commercialize our HBV vaccine. If we fail to enter into a supply contract for HBsAg on a timely basis or on commercially acceptable terms, our planned Phase III trials for our HBV vaccine will be delayed and we may be unable to continue preclinical development of our HBV therapy program.

We depend upon third party contract manufacturers who may be unable to manufacture our product candidates on a timely basis, in compliance with regulatory requirements, or at a cost and in quantities to make them commercially viable.

We depend upon third party contract manufacturers to produce our product candidates for clinical trials and for commercial purposes, if the products are approved. Third party manufacturers may not be able to meet our needs with respect to timing, cost, quantity or quality of products they manufacture for us and may fail to comply with FDA manufacturing requirements. If our contract manufacturers do not perform to our satisfaction, our clinical trials or product commercialization may be delayed while we search for replacement manufacturers. Because we intend to contract with third parties for the manufacture of our products, our ability to control third-party compliance with FDA requirements will be limited to contractual remedies and

rights of inspection. Our ability to obtain regulatory approval and commercialize our products depends on the FDA's determination that our contract manufacturers' facilities meet cGMP requirements. If our third party manufacturers fail to comply with regulatory requirements, or if we are unable to contract for a sufficient supply of required products on acceptable terms or encounter delays or difficulties in our relationships with these manufacturers, our preclinical and clinical testing would be delayed, thereby delaying submission of product candidates for regulatory approval or interfering with our ability to obtain regulatory approval and the market introduction and commercial sale of those products.

We intend to contract with one or more third parties to conduct our planned Phase III clinical trials for AIC and our HBV vaccine. If these third parties do not carry out their contractual obligations or meet expected deadlines, our planned Phase III clinical trials may be delayed and we may fail to obtain the regulatory approvals necessary to commercialize AIC or our HBV vaccine.

We are unable to independently conduct our planned Phase III clinical trials for AIC or our HBV vaccine, and we intend to contract with third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories. If these third parties do not carry out their contractual duties or obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to failure to adhere to our clinical protocols or for other reasons, our planned Phase III clinical trials may be extended, delayed or terminated. Any extension, delay or termination of our Phase III trials would have a negative impact on our business and our ability to commercialize AIC or our HBV vaccine.

If any products we develop are not accepted by the market or if regulatory agencies limit our labeling indications or marketing claims, we may be unable to generate significant revenue, if any.

Even if we obtain regulatory approval for our product candidates, our product candidates may not gain market acceptance among physicians, patients, health care payors and the medical community. The degree of market acceptance of any product depends on a number of factors, including:

- demonstration of clinical efficacy and safety;
- pricing competitiveness;
- convenience and ease of administration or other potential advantages over other treatment methods;
- effectiveness of our marketing strategy;
- publicity concerning our products or competitive products; and
- reimbursement rates allowed by managed care, government and other third-party payors for our products.

If approved, AIC for ragweed allergy will compete directly with conventional allergy immunotherapy and indirectly with the various pharmaceutical products that have been approved to treat seasonal allergy symptoms, including antihistamines, corticosteroids and anti-leukotriene agents. Since our allergy immunotherapy would require a series of injections, we expect that some of the patients that currently take oral or inhalable pharmaceutical products to treat their allergies would not consider our product.

We expect that Asia will be the primary target market for our HBV vaccine. This product candidate will compete with well-established products that are marketed by large pharmaceutical companies with financial and commercial resources that greatly exceed ours. While we intend to seek partners for purposes of commercializing this product candidate in the Asian markets and other non-U.S. markets, marketing challenges may vary by market and could limit or delay acceptance in any particular country.

Furthermore, the FDA or other regulatory agencies could limit the labeling indication for which our product candidates may be marketed or could otherwise constrain our marketing claims, reducing our or our collaborators' ability to market the benefits of our products to particular patient populations.

We face uncertainty related to coverage, pricing and reimbursement due to health care reform and heightened scrutiny from third party payors.

In both domestic and foreign markets, sales of our products will depend in part on the availability of reimbursement from third party payors. Federal, state and foreign governments likely will continue to enact legislation and adopt regulations designed to contain or reduce the cost of health care services and procedures. As such, existing laws affecting the pricing and coverage of pharmaceuticals and other medical products by government programs and other third party payors may change before any of our, or our collaborators', products are approved for marketing. In addition, third party payors are increasingly challenging the price and cost-effectiveness of medical products and services. Significant uncertainty therefore exists as to coverage and reimbursement levels for newly approved health care products, including pharmaceuticals. Moreover, adequate third-party reimbursement may not be available to enable us or our collaborators to maintain price levels sufficient to realize a return on our investment. If we cannot generate revenue in excess of costs because of changes in coverage or the pricing of pharmaceuticals in our markets or a lack of reimbursement, we will need to alter our business strategy significantly.

Many of our competitors have greater financial resources and expertise in discovery, research and development, testing, obtaining regulatory approval and marketing.

We compete with many companies and institutions, including pharmaceutical companies, biotechnology companies, academic institutions and research organizations, in developing alternative therapies to treat or prevent allergy, infectious diseases, asthma and cancer, as well as those focusing more generally on the immune system. Competitors may develop more effective, more affordable or more convenient products or may achieve earlier patent protection or commercialization of their products. These competitive products may render our product candidates obsolete or limit our ability to generate revenues from our product candidates.

If AIC is approved and commercialized, it will compete directly with conventional allergy immunotherapy. In addition, a number of companies, including GlaxoSmithKline Plc, Merck & Co., Inc., and AstraZeneca Plc, produce pharmaceutical products, such as antihistamines, corticosteroids and anti-leukotriene agents, that manage seasonal allergy symptoms. We consider these pharmaceutical products as indirect competition for AIC because, while they are targeting the same disease, they do not attempt to treat the underlying causation of the disease.

Our HBV vaccine, if it is approved and commercialized, will compete directly with existing, three-injection vaccine products produced by Merck & Co., Inc., GlaxoSmithKline Plc, and Berna Biotech AG, among others. There are also two-injection HBV vaccine products in clinical development, including a vaccine being developed by GlaxoSmithKline Plc. In addition, our HBV vaccine will compete against a number of multivalent vaccines that protect against HBV in addition to other diseases. Our HBV immunotherapy, if developed, approved and commercialized, will compete directly with existing HBV therapeutic products, including those manufactured by Roche Group, Schering-Plough Corporation, Gilead Sciences, Inc. and GlaxoSmithKline Plc.

Our inhaled 1018 ISS asthma product candidate would indirectly compete with existing asthma therapies, including corticosteroids, leukotriene inhibitors and IgE monoclonal antibodies, including those produced by Novartis Corporation, AstraZeneca Plc, Schering-Plough Corporation and GlaxoSmithKline Plc. We are also aware of a preclinical injectable product being developed by Aventis Group under a collaboration agreement with Coley Pharmaceutical Group that may target the underlying cause of asthma, rather than just the symptoms. This product, if approved and commercialized, may compete directly with our asthma product candidate.

Many of the companies developing competing technologies and products have significantly greater financial resources and expertise in research and development, manufacturing, preclinical and clinical testing, obtaining regulatory approvals and marketing than we do. Other smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Academic institutions, government agencies and other public and private research organizations may also conduct research, seek patent protection, and establish collaborative arrangements for research and

development, manufacturing, preclinical and clinical development, obtaining regulatory approval and marketing of products similar to ours. These companies and institutions compete with us in recruiting and retaining qualified scientific and management personnel. Technology controlled by third parties that may be advantageous to our business may be acquired or licensed by our competitors, thereby preventing us from obtaining that technology on commercially reasonable terms, or at all. If we are unable to successfully compete with existing and potential competitors it will cause substantial harm to our business.

We use hazardous materials in our business. Any claims or liabilities relating to improper handling, storage or disposal of these materials could be time consuming and costly to resolve.

Our research and product development involve the controlled storage, use and disposal of hazardous and radioactive materials and biological waste. We are subject to Federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. We are currently in compliance with all government permits that are required for the storage, use and disposal of these materials. However, we cannot eliminate the risk of accidental contamination or injury to persons or property from these materials. In the event of an accident related to hazardous materials, we could be held liable for damages, cleanup costs or penalized with fines, and this liability could exceed the limits of our insurance policies and exhaust our internal resources. We may have to incur significant costs to comply with future environmental laws and regulations.

We face product liability exposure and may not be able to obtain adequate insurance.

The use of any of our product candidates in clinical trials and the sale of any approved products will subject us to potential product liability claims, which may exceed the limits of our insurance policies and exhaust our internal resources. We have obtained limited product liability insurance coverage for clinical trials. This coverage may not be adequate or may not continue to be available in sufficient amounts, at an acceptable cost or at all. We also may not be able to obtain commercially reasonable product liability insurance for any product approved for marketing in the future. A product liability claim, product recalls or other claims, as well as any claims for uninsured liabilities or in excess of insured liabilities, could be costly, would divert our management's attention from our business and would seriously harm our operations.

Risks Related to Our Common Stock and this Offering

We expect that our stock price will be volatile, and your investment may suffer a decline in value.

There is currently no public market for our common stock. The initial public offering price of our stock will be determined through negotiations between us and representatives of the underwriters, and may not reflect the price that will prevail in the open market. You may not be able to resell your shares at or above the initial public offering price. The market prices for securities of biopharmaceutical companies have in the past been, and are likely to continue in the future to be, very volatile. The market price of our common stock may be subject to substantial volatility depending upon many factors, many of which are beyond our control, including:

- progress or results of any of our clinical trials, in particular any announcements regarding the progress or results of our planned Phase III trials for AIC and our HBV vaccine;
- progress of regulatory approval of our product candidates, in particular AIC and our HBV vaccine, and compliance with ongoing regulatory requirements;
- our ability to establish collaborations for the development and commercialization of our product candidates;
- market acceptance of our product candidates;
- our ability to raise additional capital to fund our operations;

- technological innovations, new commercial products or drug discovery efforts and preclinical and clinical activities by us or our competitors;
- changes in our intellectual property portfolio or developments or disputes concerning the proprietary rights of our products or product candidates;
- our ability to obtain component materials and successfully enter into manufacturing relationships for our product candidates or establish manufacturing capacity on our own;
- maintenance of our existing licensing agreements with UC;
- our financial results, particularly in relation to expectations;
- changes in government regulations;
- issuance of new or changed securities analysts' reports or recommendations;
- general economic conditions and other external factors;
- actual or anticipated fluctuations in our quarterly financial and operating results; and
- degree of trading liquidity in our common stock.

One or more of these factors could significantly harm our business and cause a decline in the price of our common stock in the public market. In addition, securities class action litigation has often been brought against a company following a decline in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs, divert management's attention and resources and disrupt our business operations.

If the ownership of our common stock continues to be highly concentrated, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause our stock price to decline.

Our executive officers, directors and their affiliates beneficially own or control approximately % of our outstanding common stock as of September 30, 2003 (after giving effect to the conversion of all outstanding shares of our preferred stock and assuming the exchange of 15,200,000 shares of ordinary stock of our subsidiary, Dynavax Asia Pte. Ltd., issued in October 2003, into 2,111,111 shares of our common stock upon the completion of this offering, but assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants), and will beneficially own % of our outstanding common stock after this offering (% if the underwriters exercise in full their over-allotment option). Accordingly, these executive officers, directors and their affiliates, acting as a group, will have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. These stockholders may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise. See "Management" and "Principal Stockholders" for details on our capital stock ownership.

Our management will have broad discretion as to the use of proceeds of this offering.

Management will retain broad discretion over the use of proceeds from this offering. Stockholders may not deem such uses desirable, and our use of the proceeds may not yield a significant return or any return at all for our stockholders. Management intends to use a majority of the proceeds from this offering for the continued development of clinical and preclinical stage programs and for general corporate purposes. Because of the number and variability of factors that determine our use of the proceeds from this offering, our intended uses for the proceeds of this offering may vary substantially from our currently planned uses. Pending our use of the proceeds from this offering, we intend to invest the net proceeds from this offering in interest-bearing securities of investment grade.

We will incur increased administrative costs as a result of complying with the laws and regulations affecting public companies.

Complying with existing, recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules proposed by the Securities and Exchange Commission and by the Nasdaq Stock Market, will result in significant costs to us. In addition to significantly higher legal, accounting and internal administration costs, we will need to incur significant costs to obtain certain types of insurance, including director and officer liability insurance. The impact of these laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our board committees or as executive officers. We are presently reviewing existing laws and are evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur to comply with these rules or the timing of such costs.

Provisions of our certificate of incorporation, bylaws and Delaware law may prevent or frustrate attempts by our stockholders to replace or remove members of our Board of Directors or management.

The provisions of our certificate of incorporation, bylaws and Delaware law make it difficult for our stockholders to replace or remove members of our Board of Directors or management. These provisions include:

- authorizing our Board of Directors to issue additional preferred stock with voting rights to be determined by the Board of Directors;
- limiting the persons who can call special meetings of stockholders;
- prohibiting stockholder actions by written consent;
- creating a classified board of directors pursuant to which our directors are elected for staggered three-year terms;
- providing that a supermajority vote of our stockholders is required for amendment to certain provisions of our certificate of incorporation and bylaws; and
- establishing advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.

The assumed initial public offering price is substantially higher than the book value per share of our common stock. Investors purchasing common stock in this offering will pay a price per share that substantially exceeds the book value of our assets after subtracting our liabilities. Further, investors purchasing common stock in this offering will contribute approximately % of the total amount invested by stockholders since our inception to September 30, 2003, but will only own approximately % of the shares of common stock outstanding.

This dilution is due to our investors who purchased shares prior to this offering having paid substantially less per share when they purchased their shares than the price offered to the public in this offering and the exercise of stock options granted to our employees. As a result of this dilution, investors purchasing stock in this offering may receive significantly less than the purchase price paid in this offering in the event of a liquidation. For more information, please refer to the section of this prospectus entitled “Dilution.”

Future sales of our common or preferred stock may lower the market price of our common stock.

After this offering, we will have shares of common stock outstanding (after giving effect to the conversion of all outstanding shares of our preferred stock and assuming the exchange of 15,200,000 shares of ordinary stock of our subsidiary, Dynavax Asia Pte. Ltd., issued in October 2003 into

2,111,111 shares of our common stock upon the completion of this offering, but assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants). Of these shares, the shares being offered in this offering will be freely tradable under Federal and state securities laws. Each of our officers, directors and existing stockholders have agreed, subject to specified exceptions, that without the prior written consent of Bear, Stearns & Co. Inc. they will not, directly or indirectly, sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any shares of our capital stock or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire our capital stock for a period of 180 days from the effective date of the Registration Statement. Bear, Stearns & Co. Inc. may, in its sole discretion, permit early release of shares subject to the lock-up agreements. All but of the shares of our common stock that are not being sold in this offering, but which were outstanding as of September 30, 2003 (after giving effect to the conversion of all outstanding shares of our preferred stock and assuming the exchange of 15,200,000 shares of ordinary stock of our subsidiary, Dynavax Asia Pte. Ltd., issued in October 2003, into 2,111,111 shares of our common stock upon the completion of this offering, but assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants), will be eligible for sale in the public market 180 days after the effective date under Rules 144, 144(k) and 701, subject in some cases to volume and other limitations. In addition, of the shares issuable upon exercise of options to purchase our common stock outstanding as of September 30, 2003, approximately shares will be vested and eligible for sale 180 days after the date of this prospectus. For a further description of the eligibility of shares for sale into the public market following this offering, see "Shares Eligible for Future Sale." In the future, we may also issue additional shares to our employees, directors or consultants, in connection with corporate alliances or acquisitions, and to raise additional capital. Due to these factors, sales of a substantial number of shares of our common stock in the public market could occur at any time. Such sales could reduce the market price of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. These forward-looking statements include statements about our:

- business strategy;
- uncertainty regarding our future operating results;
- anticipated sources of funds, including the proceeds from this offering, to fund our operations for the 24 months following the date of this prospectus; and
- plans, objectives, expectations and intentions contained in this prospectus that are not historical facts.

All statements, other than statements of historical facts included in this prospectus, regarding our strategy, future operations, financial position, estimated revenues or losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. All forward-looking statements speak only as of the date of this prospectus. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we may be unable to achieve these plans, intentions or expectations. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors" and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Information regarding market and industry statistics contained in the "Prospectus Summary" and "Business" sections of this prospectus is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purposes of securities offerings or economic analysis.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

USE OF PROCEEDS

We estimate that we will receive net proceeds of $ from the sale of the shares of common stock in this offering, assuming an initial public offering price of $ per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option is exercised in full, our net proceeds will be approximately $. We currently intend to use the net proceeds of this offering for the continued development of our clinical and preclinical stage programs and general corporate purposes.

Upon completion of this offering, we will make a one time cash payment to the University of California based on the initial public offering price. The payment will be $ assuming an initial public offering price of $ per share. As of the date of this prospectus, we have not allocated any other proceeds for specific purposes. We may also use a portion of the net proceeds of this offering to enter into strategic collaborations with third parties. From time to time, in the ordinary course of business, we expect to evaluate potential strategic collaborations. At this time, however, we do not have any present understandings, commitments or agreements with respect to any material strategic collaborations.

The amounts and timing of our actual use of proceeds will depend upon numerous factors, including the status of our product development and commercialization efforts, technological advances, the amount of proceeds actually raised in this offering and the amount of cash provided by any potential collaborations. As a result, we cannot specify with certainty the amounts that we may allocate to the particular uses of the net proceeds of this offering. Our management will have significant flexibility and discretion in applying the net proceeds of this offering. Pending any use, we will invest the net proceeds of this offering generally in short-term, investment grade, interest bearing securities but cannot predict that these investments will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid any cash dividends on shares of our common stock. We currently intend to retain any future earnings for future growth and do not anticipate paying any cash dividends in the foreseeable future.

CAPITALIZATION

The following table sets forth our unaudited cash, cash equivalents and marketable securities and our capitalization as of September 30, 2003:

- on an actual basis;
- on a pro forma basis to give effect to the sale of 15,200,000 ordinary shares of our subsidiary Dynavax Asia Pte. Ltd. issued in a private financing in October 2003 for gross proceeds of $15.2 million;
- on a pro forma basis as adjusted to give effect to (1) the filing of an amended and restated certificate of incorporation to provide for authorized capital stock of shares of common stock and shares of preferred stock, (2) the sale by us of shares of common stock at an assumed initial public offering price of $ per share in this offering and the receipt of the estimated net proceeds therefrom, after deducting underwriting discounts and commissions, estimated offering expenses payable by us and a one-time cash payment to the University of California of $ based on the initial public offering price of $ per share, (3) the conversion of all preferred stock into common stock upon the completion of this offering, and (4) the exchange of 15,200,000 ordinary shares of Dynavax Asia Pte. Ltd. for 2,111,111 shares of our common stock upon the completion of this offering.

You should read the information in this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and accompanying notes appearing elsewhere in this prospectus.

	September 30, 2003		
	Actual	Pro Forma	Pro Forma As Adjusted
		(in thousands, except share and per share amounts)	
Cash, cash equivalents and marketable securities	$ 17,558	$ 32,758	$
Convertible preferred stock: $0.001 par value; 40,731,644 shares authorized, 39,513,864 shares issued and outstanding actual; no shares issued and outstanding pro forma and pro forma adjusted	$ 83,635	$ 83,635	$ —
Stockholders' equity (net capital deficiency):			
Preferred stock: $0.001 par value; no shares authorized, issued or outstanding actual; no shares authorized, issued or outstanding pro forma; shares authorized, no shares issued and outstanding pro forma as adjusted	—	—	
Common stock: $0.001 par value; 17,666,667 shares authorized, 1,850,516 shares issued and outstanding actual; shares authorized, shares issued and outstanding pro forma; shares authorized, shares issued and outstanding pro forma as adjusted	2	2	
Additional paid-in capital	10,608	25,808	
Deferred stock compensation	(3,178)	(3,178)	
Notes receivable from stockholders	(656)	(656)	
Accumulated other comprehensive income	7	7	
Accumulated deficit	(74,825)	(74,825)	
Total stockholders' equity (net capital deficiency)	(68,042)	(52,842)	
Total capitalization	$ 15,593	$ 30,793	$

DILUTION

Our net tangible book value as of September 30, 2003 was approximately $ million, or approximately $ per share of common stock on a pro forma basis. Pro forma net tangible book value per share represents total pro forma tangible assets less total liabilities, divided by the pro forma number of shares of common stock outstanding, assuming the issuance and exchange of 15,200,000 shares of ordinary stock of our subsidiary, Dynavax Asia Pte. Ltd., issued in October 2003 for gross proceeds of $15.2 million, into 2,111,111 shares of our common stock upon the completion of this offering, and assuming the conversion of all shares of preferred stock outstanding as of September 30, 2003 into common stock. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the pro forma net tangible book value per share of our common stock immediately after the offering. After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of September 30, 2003 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $ per share to purchasers of common stock in this offering.

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of September 30, 2003	$	
Increase per share attributable to new investors		
Pro forma net tangible book value per share after the offering		
Dilution per share to new investors		
Pro forma dilution to new investors		$

The following table sets forth on a pro forma basis as of September 30, 2003, the total number of shares of common stock purchased from us, the total consideration paid for these shares and the average price per share paid by our existing stockholders and by new investors, before deducting underwriting discounts and commissions and estimated offering expenses payable by us at an assumed initial public offering price of $ per share.

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders		%	$	%	$
New investors		%		%	
Total		%	$	%	

This table assumes that no options or warrants were exercised after September 30, 2003. As of September 30, 2003, there were outstanding options to purchase a total of 911,695 shares of common stock at a weighted average exercise price of approximately $2.13 per share and warrant exercisable for 253,233 shares of Series D Preferred Stock, which will convert into a warrant exercisable for 84,411 shares of common stock issuable at the exercise price of $6.18 per share upon the completion of this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 2000, 2001, and 2002 and the consolidated balance sheet data as of December 31, 2001 and 2002 are derived from the audited consolidated financial statements that are included elsewhere in this prospectus. The statements of operations data for the years ended December 31, 1998 and 1999 and the balance sheet data as of December 31, 1998, 1999 and 2000 are derived from our audited consolidated financial statements not included in this prospectus. The consolidated statements of operations data for the nine months ended September 30, 2002 and 2003 and the balance sheet data as of September 30, 2003 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's consolidated financial position as of September 30, 2003 and consolidated results of operations for the nine months ended September 30, 2002 and 2003. Historical results are not necessarily indicative of the results of operations to be expected for future periods. See Note 3 of "Notes to Consolidated Financial Statements" for a description of the method that we used to compute our historical and pro forma basic and diluted net loss per share attributable to common stockholders.

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(in thousands, except per share amounts)						
Consolidated Statements of Operations Data:							
Collaboration and other revenue	$ —	$ 450	$ 2,054	$ 2,359	$ 1,427	$ 1,356	$ 119
Operating expenses:							
Research and development*	5,978	6,049	8,267	17,363	15,965	12,050	10,050
General and administrative*	1,116	1,396	3,451	4,527	4,121	3,094	3,210
Total operating expenses	7,094	7,445	11,718	21,890	20,086	15,144	13,260
Loss from operations	(7,094)	(6,995)	(9,664)	(19,531)	(18,659)	(13,788)	(13,141)
Interest income, net	316	436	1,149	1,119	621	463	329
Net loss	(6,778)	(6,559)	(8,515)	(18,412)	(18,038)	(13,325)	(12,812)
Deemed dividend related to beneficial conversion feature of mandatorily redeemable convertible preferred stock	—	—	(18,209)	—	—	—	—
Net loss attributable to common stockholders	$(6,778)	$(6,559)	$(26,724)	$(18,412)	$(18,038)	$(13,325)	$(12,812)
Net loss per share attributable to common stockholders, basic and diluted	$(11.39)	$ (7.72)	$ (20.86)	$ (11.96)	$ (10.60)	$ (7.94)	$ (7.21)
Shares used in computing net loss per share attributable to common stockholders basic and diluted	595	850	1,281	1,539	1,701	1,678	1,778
Pro forma net loss per share attributable to common stockholders, basic and diluted(1)					$ (1.28)		$ (0.83)
Shares used in computing pro forma net loss per share attributable to common stockholders, basic and diluted(1)					14,063		15,390

(1) See Note 3 to our Notes to Consolidated Financial Statements for a description of pro forma net loss per share attributable to common stockholders.

* Includes non-cash charges for stock-based compensation expense as follows (in thousands):

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
Research and development	$ —	$ 94	$ 492	$1,007	$ 953	$ 734	$ 790
General and administrative	—	52	699	1,049	868	744	360
	$ —	$146	$1,191	$2,056	$1,821	$1,478	$1,150

	December 31,					September 30,
	1998	1999	2000	2001	2002	2003
				(in thousands)		
Consolidated Balance Sheet Data:						
Cash, cash equivalents and marketable securities	$ 13,244	$ 8,479	$ 26,792	$ 11,757	$ 29,410	$ 17,558
Working capital	12,212	6,634	26,578	9,498	25,913	14,617
Total assets	14,329	9,622	29,590	15,117	31,478	19,141
Equipment financing, net of current portion	328	167	15	—	—	—
Mandatorily redeemable convertible preferred stock	23,124	24,079	45,486	45,479	—	—
Convertible preferred stock	—	—	5,799	5,799	83,635	83,635
Total stockholders' equity (net capital deficiency)	(10,467)	(16,820)	(23,798)	(40,216)	(56,371)	(68,042)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our business, financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes appearing elsewhere in this prospectus. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of some factors, such as those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We discover, develop and intend to commercialize innovative products to treat and prevent allergies, infectious diseases and chronic inflammatory diseases. Our clinical development programs are based on immunostimulatory sequences, or ISS, which are short DNA sequences that enhance the ability of the immune system to fight disease and control chronic inflammation. Our most advanced clinical programs include AIC, an immunotherapy product candidate for treatment of ragweed allergy that has completed Phase II trials, our HBV vaccine, which is nearing completion of two Phase II trials, and an inhaled therapeutic product candidate for treatment of asthma, which is currently in a pilot Phase II trial. Based on results from Phase II trials we plan to initiate Phase III trials in 2004 for both AIC and our HBV vaccine. We intend to commercialize our HBV vaccine only outside the U.S. In addition, we have a cancer therapeutic product in Phase I trials and preclinical programs targeting additional allergies using our ISS technology. We have other preclinical programs focused on chronic inflammation, antiviral therapies and next-generation vaccines using ISS and other technologies.

We have incurred significant losses since our inception. As of September 30, 2003, we had an accumulated deficit of approximately $74.8 million. We expect to incur substantial and increasing losses as we continue the development of our lead product candidates and advance our preclinical and research programs. It is likely that our lead clinical and preclinical programs will require investments that will increase our current rate of expenditures. If we were to receive regulatory approval for any of our product candidates, we would be required to invest significant capital to develop, or otherwise secure through collaborative relationships, commercial scale manufacturing, marketing and sales capabilities. Even if we are able to obtain approval for our product candidates, we are likely to incur increased operating losses until product sales grow sufficiently to support the organization.

We do not have any commercial products that generate revenue. Through the fiscal year ended December 31, 2002, we generated revenue primarily through research and development collaboration agreements. For the nine months ended September 30, 2003, our revenue was derived from a government grant.

Most of our expenditures to date have been for research and development activities and general and administrative expenses. Research and development expense consists of the costs of our preclinical experiments and clinical trials, activities related to regulatory filings, manufacturing our product candidates for our preclinical experiments and clinical trials, compensation and related benefits, facility costs, supplies and depreciation of laboratory equipment. We anticipate that our research and development expense will increase in connection with expanded clinical trials, in particular in connection with our planned Phase III clinical trials for AIC and our HBV vaccine, which we expect to initiate in 2004. We expense our research and development costs as they are incurred.

General and administrative expenses consist primarily of compensation and related benefits, facility costs and professional expenses, such as legal, accounting, consulting and public relations. We anticipate that general and administrative expenses will increase as a result of the expected expansion of our business, together with the additional costs associated with operating as a public company.

We have recorded no provision for Federal and state income taxes since inception. As of December 31, 2002, we had Federal net operating loss carryforwards of approximately $27.0 million. Utilization of net operating loss carryforwards may be subject to a substantial annual limitation due to the ownership change

limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization. We have provided a full valuation allowance on our deferred tax assets because we believe it is more likely than not that our deferred tax assets will not be realized.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our financial statements appearing at the end of this prospectus, we believe that the following accounting policies relating to revenue recognition, clinical trial expenses and stock-based compensation expense are important to understanding and evaluating our reported financial results.

Revenue Recognition. We recognized revenue from our past collaboration agreements, and currently recognize revenue from our government grants, based on the terms specified in the agreements, generally as work is performed or approximating a straight-line basis over the period of the collaboration or grant. Any amounts received in advance of performance are recorded as deferred revenue. Upfront payments are deferred and amortized over the estimated research and development period. Revenue from milestones with substantive performance risk is recognized upon achievement of the milestone. All revenue recognized to date under these collaborations or grants and milestones is nonrefundable.

Clinical Trial Expenses. Research and development expenditures are charged to operations as incurred. Our expenses related to clinical trials are based on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and clinical research organizations that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation and variation from contract to contract and may result in uneven payment flows. Payments under the contracts depend on factors such as the successful enrollment of patients or the completion of clinical trial milestones. Expenses related to clinical trials generally are accrued based on the level of patient enrollment and activity according to the protocol. We monitor patient enrollment levels and related activity to the extent possible and adjust our estimates accordingly.

Stock-Based Compensation Expense. In connection with the grant of stock options to employees and non-employees, we record deferred stock compensation as a component of stockholders' equity (net capital deficiency). Deferred stock compensation for options granted to employees is the difference between the deemed fair value of our common stock on the date the options were granted and their exercise price. For stock options granted to non-employees, the fair value of the options, estimated using the Black-Scholes valuation model, is initially recorded on the date of grant. Deferred stock compensation for unvested options granted to non-employees is periodically re-measured, with any change in the estimated fair value from period to period recorded as a change in deferred stock compensation. Deferred stock compensation is amortized as a charge to operations over the vesting periods of the options using the straight-line method. We recorded stock-based compensation expense of approximately $1.2 million, $2.1 million, and $1.8 million for the years ended December 31, 2000, 2001, and 2002, respectively, and approximately $1.2 million for the nine months ended September 30, 2003. The amount of stock-based compensation expense to be recorded in future periods may decrease if unvested options, for which deferred stock compensation has been recorded, are subsequently canceled.

Since inception through September 30, 2003, the Company has recorded stock-based compensation expense of approximately $6.4 million. As of September 30, 2003, unamortized deferred stock compensation was approximately $3.2 million. Deferred stock compensation to be amortized to expense during the remainder of the year ending December 31, 2003, and during the years ending December 31, 2004, 2005,

2006, and 2007, is expected to be approximately $436,000, $1.3 million, $577,000, $577,000, and $259,000, respectively.

Results of Operations

Nine Months Ended September 30, 2003 and 2002

Collaboration and other revenue: Our revenue for the nine months ended September 30, 2003 was approximately $119,000, a decrease of 91.2% as compared to approximately $1.4 million in revenue for the nine months ended September 30, 2002. Revenue for the nine months ended September 30, 2003 resulted from a grant by the National Institutes of Health. Revenue for the nine months ended September 30, 2002 resulted from two research and development collaboration agreements and another agreement providing a customer an option to negotiate rights to license technology developed by us. The first of these two collaborations commenced in 1999 and focused on infectious diseases. This collaboration provided revenues of $918,000 for the nine months ended September 30, 2002 but did not generate any revenue for the nine months ended September 30, 2003. This collaboration was terminated in September 2002. The second of these two collaborations commenced in 2000 and focused on the treatment and prevention of hepatitis and HIV. This collaboration provided revenues of $188,000 for the nine months ended September 30, 2002 but did not generate any revenue for the nine months ended September 30, 2003. This collaboration was terminated in November 2002. The agreement providing a collaborator an option to negotiate rights to license technology developed by us commenced during 2002. This agreement generated revenue of $250,000 for the nine months ended September 30, 2002 but did not generate any revenue for the nine months ended September 30, 2003. This agreement lapsed in April 2002 when the collaborator did not exercise its option.

Research and development expenses: Research and development expenses were approximately $10.1 million for the nine months ended September 30, 2003, a decrease of 16.6% from approximately $12.1 million in research and development expenses for the nine months ended September 30, 2002. This decrease was primarily the result of fewer and less extensive clinical trials being conducted during the nine months ended September 30, 2003. Non-cash stock-based compensation expense included in research and development expense was approximately $790,000 and $734,000 for the nine months ended September 30, 2003 and 2002, respectively.

General and administrative expenses: General and administrative expenses were approximately $3.2 million for the nine months ended September 30, 2003, an increase of 3.7% as compared to approximately $3.1 million in general and administrative expenses for the nine months ended September 30, 2002. This increase reflects higher compensation and benefits during the nine months ended September 30, 2003 associated with the addition of key members of our management team and expenditures for consulting services. Non-cash stock-based compensation expense included in general and administrative expense was approximately $360,000 and $744,000 for the nine months ended September 30, 2003 and 2002, respectively.

Interest income, net: Interest income, net, was approximately $329,000 for the nine months ended September 30, 2003, a decrease of 28.9% as compared to approximately $463,000 in interest income, net, for the nine months ended September 30, 2002. The decrease was primarily due to lower average cash balances during the nine months ended September 30, 2003.

Years Ended December 31, 2002 and 2001

Collaboration and other revenue: Our revenue for the year ended December 31, 2002 was approximately $1.4 million, a decrease of 39.5% as compared to approximately $2.4 million in revenue for the year ended December 31, 2001. Revenue for 2002 resulted from two research and development collaboration agreements and another agreement providing a customer an option to negotiate rights to license technology developed by us. The first of these two collaborations commenced in 1999 and focused on infectious diseases. This collaboration provided revenues of $990,000 during the year ended December 31, 2002 and $46,000 during the year ended December 31, 2001. This collaboration was terminated in September 2002. The second of these two collaborations commenced in 2000 and focused on the treatment and prevention of hepatitis and

HIV. This collaboration provided revenues of $188,000 during the year ended December 31, 2002 and approximately $2.1 million during the year ended December 31, 2001. This collaboration was terminated in November 2002. The agreement providing a collaborator with an option to negotiate rights to license technology developed by us commenced during 2002. This agreement generated revenue of $250,000 during the year ended December 31, 2002 but did not generate any revenue during the year ended December 31, 2001. This agreement lapsed in April 2002 when the collaborator did not exercise its option.

Research and development expenses: Research and development expenses were approximately $16.0 million for the year ended December 31, 2002, a decrease of 8.1% as compared to research and development expenses of approximately $17.4 million for the year ended December 31, 2001. The decrease was due primarily to the decreased clinical trial costs associated with our Phase II trials for AIC. Non-cash stock-based compensation expense attributable to research and development expenses was approximately $953,000 and $1.0 million for the years ended December 31, 2002 and December 31, 2001, respectively.

General and administrative expenses: General and administrative expenses were approximately $4.1 million for the year ended December 31, 2002, a decrease of 9.0% as compared to approximately $4.5 million in general and administrative expenses for the year ended December 31, 2001, due primarily to lower headcount. Non-cash stock-based compensation expense included in general and administrative expense was approximately $868,000 and $1.0 million for the years ended December 31, 2002 and 2001, respectively.

Interest income, net: Interest income, net, was approximately $621,000 for the year ended December 31, 2002, a decrease of 44.5% as compared to approximately $1.1 million in interest income, net for the year ended December 31, 2001. The decrease was primarily due to lower average cash balances coupled with lower average interest rate yields during 2002.

Years Ended December 31, 2001 and 2000

Collaboration and other revenue: Our revenue for the year ended December 31, 2001 was approximately $2.4 million, an increase of 14.8% as compared to approximately $2.1 million in revenue for the year ended December 31, 2000. Revenue during the year ended December 31, 2001 resulted from three collaboration agreements and a National Institutes of Health-funded grant focused on the treatment of asthma. The first of these three collaborations commenced in 1999 and focused on the development and commercialization of products to treat seasonal allergies. This collaboration generated $150,000 in revenue during 2001 but no revenue during 2000. The second of these three collaborations also commenced in 1999 and focused infectious diseases. This collaboration provided revenue of approximately $46,000 during 2001 and approximately $1.1 million during 2000. The third of these three collaborations commenced during 2000 and focused on the treatment and prevention of hepatitis and HIV. This collaboration generated approximately $2.1 million in revenue during 2001 and approximately $1.0 million in revenue during 2000. The National Institutes of Health-funded grant commenced during 2001 and generated $100,000 in revenue during 2001.

Research and development expenses: Research and development expenses were approximately $17.4 million in 2001, an increase of 110.0% as compared to approximately $8.3 million in research and development expenses in the year ended December 31, 2000. The increase in expenses was primarily due to expanded clinical trials across a number of our programs and attendant manufacturing costs for clinical materials. Non-cash stock-based compensation included in research and development expense was approximately $1.0 million and $492,000 for the years ended December 31, 2001 and 2000, respectively.

General and administrative expenses: General and administrative expenses were approximately $4.5 million for the year ended December 31, 2001, an increase of 31.2% as compared to approximately $3.5 million in general and administrative expenses for the year ended December 31, 2000. The increase reflects increased compensation and related benefits expense of approximately $605,000 associated with increased headcount. Additionally, the increase reflects increased professional fees of approximately $211,000 for legal fees and approximately $212,000 for accounting fees associated with an attempted financing. Non-cash stock-based compensation included in general and administrative expense was approximately $1.0 million and $699,000 for the years ended December 31, 2001 and 2000, respectively.

Deemed dividend on preferred stock: In connection with a proposed initial public offering in 2000, the Company reflected a deemed dividend of approximately $18.2 million. The deemed preferred stock dividend was reflected in the 2000 statement of operations based on the difference between the estimated fair value of the common stock and the conversion price of the preferred stock at the commitment date. There was no impact on total stockholders' equity (net capital deficiency). The deemed preferred stock dividend increases the net loss applicable to common stockholders for the year ended December 31, 2000.

Interest income, net: Interest income, net, was approximately $1.1 million for the year ended December 31, 2001, a decrease of 2.6% as compared to the interest income, net for the year ended December 31, 2000. This decrease was primarily due to lower average cash balances during 2001.

Liquidity and Capital Resources

We have financed our operations from inception primarily through sales of shares of convertible preferred stock, which have yielded a total of approximately $83.3 million in net cash proceeds and, to a lesser extent, through amounts received under collaborative agreements and government grants. As of September 30, 2003, we had approximately $17.6 million in cash, cash equivalents and marketable securities. Our funds are currently invested in highly liquid, investment-grade corporate and government obligations.

Our operating activities used cash of approximately $11.7 million during the nine months ended September 30, 2003, compared to cash used in operating activities of approximately $10.7 million during the nine months ended September 30, 2002. This increase of approximately $1.0 million was due primarily to an increase in working capital, partially offset by a decrease in net loss.

Our investing activities provided cash of approximately $11.4 million during the nine months ended September 30, 2003, compared to cash used in investing activities of approximately $4.3 million during the nine months ended September 30, 2002. Cash provided by investing activities during the nine months ended September 30, 2003 consisted primarily of net sales and maturities of investments of approximately $11.5 million. Cash used in investing activities during the nine months ended September 30, 2002 consisted primarily of net purchases of investments of approximately $4.0 million.

Our financing activities provided cash of approximately $37,000 during the nine months ended September 30, 2003, compared to cash provided by financing activities of approximately $32.3 million during the nine months ended September 30, 2002. Cash provided by financing activities during the nine months ended September 30, 2003 consisted primarily of repayments by stockholders of notes receivable. Cash provided by financing activities during the nine months ended September 30, 2002 consisted primarily of approximately $32.3 million in net proceeds from issuance of preferred stock.

Our operating activities used cash of approximately $14.3 million during the year ended December 31, 2002, compared to approximately $13.7 million during the year ended December 31, 2001. This increase of approximately $600,000 was due primarily to an increase in working capital, partially offset by a decrease in net loss.

Our investing activities used cash of approximately $17.3 million during the year ended December 31, 2002, compared to cash provided by investing activities of approximately $14.7 million during the year ended December 31, 2001. Cash used in investing activities in 2002 consisted primarily of net purchases of investments of approximately $16.8 million and an investment of approximately $468,000 in property and equipment. Cash provided by investing activities in 2001 consisted primarily of net sales and maturities of investments of approximately $15.8 million offset by an investment of approximately $1.1 million in property and equipment.

Our financing activities provided cash of approximately $32.4 million during the year ended December 31, 2002 compared to cash used in financing activities of approximately $204,000 during the year ended December 31, 2001. Cash provided by financing activities in 2002 consisted primarily of $32.4 million in net proceeds from issuance of preferred stock. Cash used in financing activities in 2001 consisted primarily of $152,000 in repayments on equipment financing.

In the third quarter of 2003, the Company was awarded government grants totaling approximately $8.4 million to be received over three and one-half years to fund research and development of certain biodefense programs. The revenue will be recognized as the related expenses are incurred.

In October 2003 we secured approximately $15.2 million of gross proceeds in a financing from investors in our subsidiary Dynavax Asia Pte. Ltd., or Dynavax Asia, which will become a wholly owned subsidiary upon the closing of this offering.

We have no long-term debt, and as of September 30, 2003, we had contractual obligations related to operating leases as follows (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases	$2,236	$160	$1,422	$643	—

Our long term commitments under operating leases shown above consist of payments relating to our real estate lease in Berkeley, California, expiring in May 2008, and our lease in Emeryville, California, expiring in March 2004.

The Company is obligated to make a one-time payment to the University of California upon the closing of the Company's initial public offering of approximately $.

We believe our existing cash, cash equivalents and marketable securities, together with the estimated net proceeds of this offering, will be sufficient to meet our anticipated cash requirements for at least the next 24 months. Because of the significant time it will take for any of our product candidates to complete the clinical trials process, be approved by regulatory authorities and successfully commercialized, we will require substantial additional capital resources. We may raise additional funds through public or private equity offerings, debt financings, capital lease transactions, corporate collaborations or other means. We may attempt to raise additional capital due to favorable market conditions or strategic considerations even if we have sufficient funds for planned operations. To the extent that we raise additional funds by issuing equity securities, our stockholders will experience dilution, and debt financings, if available, may involve restrictive covenants or may otherwise constrain our financial flexibility. To the extent that we raise additional funds through collaborative arrangements, it may be necessary to relinquish some rights to our technologies or grant licenses on terms that are not favorable to us. In addition, payments made by potential collaborators, government agencies and other licensors generally will depend upon our achievement of negotiated development and regulatory milestones. Failure to achieve these milestones may significantly harm our future capital position.

Additional financing may not be available on acceptable terms, if at all. Capital may become difficult or impossible to obtain due to poor market or other conditions that are outside of our control. If at any time sufficient capital is not available, either through existing capital resources or through raising additional funds, we may be required to delay, reduce the scope of, eliminate or divest one or more of our research, preclinical or clinical programs or discontinue our business.

Recent Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (the "FASB") issued the FASB Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, which clarifies the requirements for a guarantor's accounting and disclosures of certain guarantees issued and outstanding. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at its inception of guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to

guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's results of operations or financial position.

In November 2002, the EITF issued EITF Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* ("EITF 00-21"). EITF 00-21 addresses how to account for arrangements that may involve delivery or performance of multiple products, services, and/or rights to use assets, and when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. It does not change otherwise applicable revenue recognition criteria. It applies to arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The adoption of EITF 00-21 did not have a material impact on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). SFAS 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective the beginning of the first interim period after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's results of operations or financial position.

Change in Accountants

In July 2001, we dismissed the accounting firm of PricewaterhouseCoopers LLP as our independent auditors. The decision to change our accounting firm was approved by our Board of Directors. During the 1999 and 2000 fiscal years and through July 2001, there were no disagreements on matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure between us and PricewaterhouseCoopers LLP, which disagreements if not resolved to the satisfaction of PricewaterhouseCoopers LLP would have caused them to make reference thereto in their report on the financial statements for such years. The audit reports of PricewaterhouseCoopers LLP on our consolidated financial statements for the years ended December 31, 1999 and 2000 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. During the 1999 and 2000 fiscal years and through July 2001 there were no reportable events as defined in Regulation S-K Item 304(a)(1)(v).

Quantitative and Qualitative Disclosure About Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk in the future, we intend to maintain our portfolio of cash equivalents and investments in a variety of securities, including commercial paper, money market funds, government and non-government debt securities and corporate obligations. Because of the short-term maturities of our current investments, cash equivalents and marketable securities, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments.

BUSINESS

Overview

We discover, develop and intend to commercialize innovative products to treat and prevent allergies, infectious diseases and chronic inflammatory diseases using versatile, proprietary approaches that alter immune system responses in highly specific ways. Our clinical development programs are based on immunostimulatory sequences, or ISS, which are short DNA sequences that enhance the ability of the immune system to fight disease and control chronic inflammation. Based on results from Phase II trials for our two lead product candidates, we plan to initiate Phase III trials in 2004. In addition, we have a third product candidate in Phase II trials. We also have a number of earlier stage clinical and preclinical programs. We retain full commercial rights for all of our product candidates.

Our most advanced clinical programs include:

- *AIC for Ragweed Allergy.* AIC has completed several Phase II trials in the U.S., Canada and France. AIC is an immunotherapeutic intervention for ragweed allergy, the most common seasonal allergy in North America. Unlike existing products that treat chronic ragweed allergy symptoms, our product candidate targets the underlying cause of ragweed-induced seasonal allergic rhinitis. Results from completed Phase I and Phase II trials demonstrated AIC provided measurable clinical improvement and was well tolerated. We are currently planning a two-year, multi-site Phase III trial in the U.S. to evaluate the efficacy of AIC, and we expect to enroll patients in the first quarter of 2004. We may be required to conduct additional trials in support of a New Drug Application, or NDA, filing.

- *Hepatitis B Prophylaxis.* We are nearing completion of two Phase II trials in Canada for our HBV vaccine. In these trials our HBV vaccine induced more rapid immunity with fewer immunizations than currently available vaccines. As a result, our HBV vaccine has the potential to increase compliance and decrease the spread of the disease. Results from Phase I and Phase II trials demonstrated that our HBV vaccine was well tolerated and conferred seroprotection following two injections over a two-month period. We are currently planning to initiate Phase III trials outside the U.S. in 2004. Foreign regulatory agencies may require us to conduct additional clinical trials prior to approval.

- *Asthma.* We have an inhaled therapeutic product candidate for asthma in a pilot Phase II trial in Canada. Unlike current treatments for asthma, which require chronic use, our product may provide long-term relief following a single course of administration. Results from our Phase I trial demonstrated that our product candidate was well tolerated in healthy volunteers and may have the potential to suppress both clinical symptoms and the underlying inflammatory response associated with asthma. We expect results from our pilot Phase II trial in the first quarter of 2004.

We have an ISS-based cancer therapeutic product in Phase I trials and preclinical programs targeting additional allergies using our ISS technology. We have other preclinical programs focused on chronic inflammation, antiviral therapies and next-generation vaccines using ISS and other technologies.

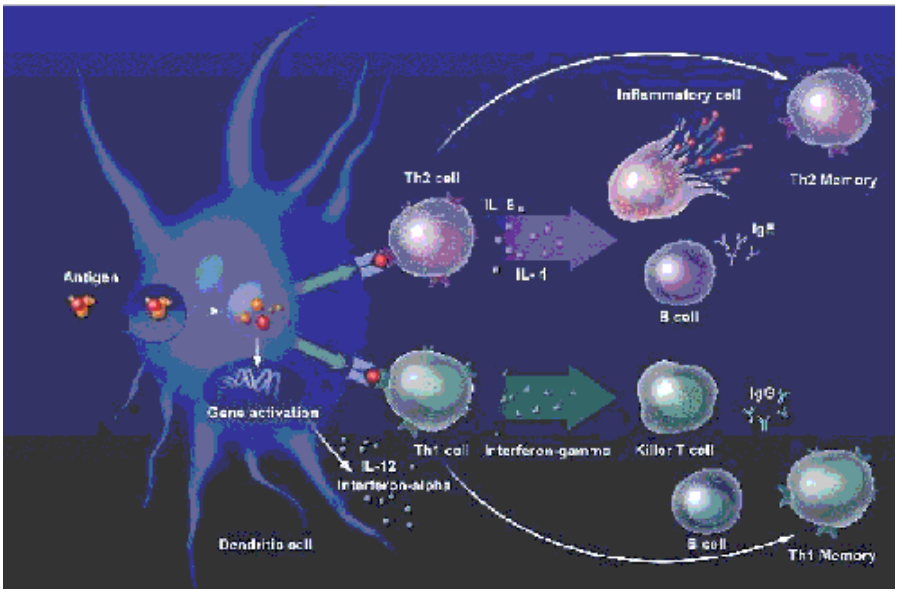
The Immune System

The immune system is the body’s natural defense mechanism against infectious pathogens, such as bacteria, viruses and parasites, and plays an important role in identifying and eliminating abnormal cells, such as cancer cells. The body’s first line of defense against any foreign substance is a specialized function called innate immunity, which serves as a rapid response that protects the body during the days or weeks needed for a second longer-term immune response, termed adaptive immunity, to develop. Unique cells called dendritic cells have two key functions in the innate immune response. They produce molecules called cytokines that contribute to the killing of viruses and bacteria. In addition, they ensure that pathogens and other foreign substances are made highly visible to specialized helper T cells, called Th1 and Th2 cells, which coordinate the longer-term adaptive immune response. Dendritic cells recognize different types of pathogens or offending substances and are able to guide the immune system to make the most appropriate type of response. When viruses, bacteria and abnormal cells such as cancer cells are encountered, dendritic cells

trigger a Th1 response, whereas detection of a parasite infection leads dendritic cells to initiate a Th2 response. Th1 and Th2 responses last for extended periods of time in the form of Th1 and Th2 memory cells, conferring long-term immunity.

The Th1 response leads to the production of specific cytokines, including interferon-alpha, interferon-gamma and interleukin 12, or IL-12, as well as the generation of killer T cells, a specialized immune cell. These cytokines and killer T cells are believed to be the body's most potent anti-infective weapons. In addition, protective IgG antibodies are generated that also help rid the body of foreign antigens and allergens. Once a population of Th1 cells specific to a particular antigen or allergen is produced, it persists for a long period of time in the form of memory Th1 cells, even if the antigen or allergen target is eliminated. If another infection by the same pathogen occurs, the immune system is able to react more quickly and powerfully to the infection, because the memory Th1 cells can reproduce immediately. When the Th1 response to an infection is insufficient, chronic disease can result. When the Th1 response is inappropriate, diseases such as rheumatoid arthritis can result, in part from elevated levels of Th1 cytokines.

Activation of the Th2 response results in the production of other cytokines, IL-4, IL-5 and IL-13. These cytokines attract inflammatory cells such as eosinophils, basophils and mast cells capable of destroying the invading organism. In addition, the Th2 response leads to the production of a specialized antibody, IgE. IgE has the ability to recognize foreign antigens and allergens and further enhances the protective response. An inappropriate activation of the Th2 immune response to allergens, such as plant pollens, can lead to chronic inflammation and result in allergic rhinitis, asthma and other allergic diseases. This inflammation is sustained by memory Th2 cells that are reactivated upon subsequent exposures to the allergen, leading to a chronic disease.



ISS and the Immune System

Our principal product development efforts are based on a technology that uses short synthetic DNA molecules known as ISS that stimulate a Th1 immune response while suppressing Th2 immune responses. ISS contain specialized sequences that activate the innate immune system. ISS are recognized by a specialized subset of dendritic cells containing a unique receptor called Toll-Like Receptor 9, or TLR-9. The interaction of

TLR-9 with ISS triggers the biological events that lead to the suppression of the Th2 immune response and the enhancement of the Th1 immune response.

We believe ISS have the following benefits:

- ISS work by reprogramming the immune responses that cause disease rather than just treating the symptoms of disease.

- ISS influence helper T cell responses in a targeted and highly specific way by reprogramming only those T cells involved in the disease pathway. As a result, ISS do not alter the ability of the immune system to mount an appropriate response to infecting pathogens. In addition, because TLR-9 is found only in a specialized subset of dendritic cells, ISS do not cause a generalized activation of the immune system, which might otherwise give rise to an autoimmune response.

- ISS, in conjunction with an allergen or antigen, establish populations of memory Th1 cells, allowing the immune system to respond appropriately to each future encounter with a specific pathogen or allergen, leading to long-lasting therapeutic effects.

We have developed a number of proprietary ISS compositions and formulations that make use of the different ways in which the innate immune system responds to ISS. Depending on the indication for which ISS is being explored as a therapy, we use ISS in different ways.

ISS Linked to Allergens

We link ISS to allergens that are known to cause specific allergies. By chemically linking ISS to allergens, rather than simply mixing them, we generate a superior Th1 response due to the fact that the ISS and allergen are presented simultaneously to the same part of the immune system. The linked molecules generate an increased Th1 response by the immune system in the form of IgG antibodies and interferon-gamma. In addition, the ISS-linked allergens have a highly specific and potent inhibitory effect on the Th2 cells, thereby reprogramming the immune response away from the Th2 response that causes specific allergies. Upon subsequent natural exposure to the allergens, the Th1 memory response is triggered, providing long-term suppression of allergic responses.

ISS Linked to or Combined with Antigens

We also link ISS to antigens associated with cancer and pathogens such as viruses and bacteria to stimulate an immune response that will attack and destroy infected or abnormal cells. ISS, linked to or combined with appropriate antigens, increase the visibility of the antigen to the immune system and induce a highly specific and enhanced Th1 response, including increased IgG antibody production. As with ISS linked to allergens, this treatment also generates memory T cells, conferring long-term protection against specific pathogens. This treatment may also have the potential for synergy with other cancer or infectious disease therapies.

ISS Alone

We use ISS alone in diseases like asthma, where a large variety of allergens may be associated with an inappropriate immune response. ISS administered alone may suppress the Th2 inflammatory response caused by any number of allergens, modifying the underlying cause of inflammation, as well as providing symptomatic relief. ISS may also be used in conjunction with a variety of anti-tumor monoclonal antibodies as a combination therapy, with the goal of stimulating the elimination of cancer cells.

Advanced ISS Technologies

We have developed proprietary technologies that modify the molecular structure of ISS to significantly increase its versatility and potency. We are using these technologies in most of our preclinical programs and believe that they will be essential to our future product development efforts. Our advanced ISS technologies

include novel ISS-like compounds, chimeric immunostimulatory compounds or CICs, as well as advanced ISS formulations.

CICs are chimeric molecules that are a mixture of nucleotide and non-nucleotide components. We have identified optimal sequences that induce particular immune responses, including potent interferon-alpha induction. CICs can be tailored to have specific immunostimulatory properties and can be administered alone, or linked to allergens or antigens.

We have also developed novel formulations for ISS and CICs that can dramatically increase their potency. These advanced formulations can be used in situations where high potency is required to see a desired clinical outcome and can decrease the dosage of ISS or CICs required to achieve therapeutic effect.

Our Primary Development Programs

We are using a proprietary ISS, a 22-base oligonucleotide called 1018 ISS, in our clinical development programs for ragweed allergy, HBV prophylaxis, asthma and cancer. To date, we have administered 1018 ISS to more than 350 people without observing any serious, drug-related, adverse events. We have demonstrated the clinical benefit of AIC and our HBV vaccine, which are both 1018 ISS-based product candidates, in Phase II clinical trials. Our principal programs are:

	Indication	Technology	Status
Allergy Immunotherapy:	Ragweed Allergy	1018 ISS linked to allergen	Initiating Phase III in the first quarter of 2004
	Grass Allergy	Advanced ISS linked to allergen	Preclinical
	Tree Allergy	Advanced ISS linked to allergen	Preclinical
	Peanut Allergy	Advanced ISS linked to allergen	Preclinical
Hepatitis B:	HBV prophylaxis	1018 ISS combined with antigen	Initiating Phase III in 2004
	HBV immunotherapy	Advanced ISS linked to and combined with antigen	Preclinical
Chronic Inflammation:	Asthma	1018 ISS alone	Phase II

Allergy Immunotherapy

Ragweed Allergy

Commercial Opportunity

Medical management of seasonal allergic rhinitis is a multibillion-dollar global market. In the U.S. alone, approximately 40 million people suffer from allergic rhinitis. Many of these individuals experience allergies from more than one seasonal allergen, including ragweed, grasses and trees. The direct costs of prescription and over-the-counter, or OTC, interventions for allergic rhinitis in the U.S. is estimated to exceed $7.0 billion. In addition, approximately 20% of those who suffer from allergic rhinitis progress to asthma, leading to increased morbidity and disease management costs. Of the approximately 30 million people in the U.S. who suffer from ragweed allergy, a portion receive conventional immunotherapy each year. We believe a more substantial number take multiple prescription and OTC remedies. We believe these population segments constitute the primary target markets for the adoption of AIC.

Current Allergy Treatments and their Limitations

Pharmacotherapy — Many individuals turn to prescription and OTC pharmacotherapies such as antihistamines, corticosteroids, anti-leukotriene agents and decongestants to manage their seasonal allergy symptoms. Although currently available pharmacotherapies may provide temporary symptomatic relief, they can be inconvenient to use and can cause side effects. Most importantly, these pharmacotherapies need to be administered chronically and do not modify the underlying disease state.

Allergy Immunotherapy (Allergy Shots) — Immunotherapy is employed to alter the underlying immune mechanisms that cause allergic rhinitis. Patients are recommended for allergy immunotherapy only after attempts to reduce allergic symptoms by pharmacotherapy or limiting exposure to the allergen have been deemed inadequate. Conventional immunotherapy is a gradual immunizing process in which increasing individualized concentrations of pollen extracts are mixed by the allergist and administered to induce increased tolerance to natural allergen exposure. The treatment regimen generally consists of weekly injections over the course of six months to a year, during which the dosing is gradually built up to a therapeutic level so as not to induce a severe allergic reaction. Once a therapeutic dosing level is reached, individuals then receive bi-weekly or monthly injections to build and maintain immunity over another two to four years. A patient typically receives between 60 to 90 injections over the course of treatment. Adverse reactions to conventional allergy immunotherapy are common and can range from minor swelling at the injection site to systemic reactions, and, in extremely rare instances, death. Other major drawbacks from the patients' perspective include the inconvenience of repeated visits to doctors' offices for each injection, the time lag between the initiation of the regimen and the reduction of symptoms, and the total number of injections required to achieve a therapeutic effect. Consequently, patient compliance is a significant issue.

AIC for Ragweed Allergy and its Benefits

Our lead anti-allergy product, AIC, consists of 1018 ISS linked to the purified major allergen of ragweed, or Amb a 1. AIC targets the underlying cause of seasonal allergic rhinitis caused by ragweed and offers a convenient six-week treatment regimen potentially capable of providing long-lasting therapeutic results. The linking of ISS to Amb a 1 ensures that both ISS and ragweed allergen are presented simultaneously to the same immune cells, producing a highly specific and potent inhibitory effect, suppressing the Th2 cells responsible for inflammation associated with ragweed allergy. Moreover, this treatment reprograms the immune response away from the Th2 response and toward a Th1 memory response so that, upon subsequent natural exposure to the ragweed allergen, long-term immunity is achieved.

Clinical Status

Over the last several years, we have generated a substantial amount of clinical data on AIC. AIC has been tested in ten Phase I and Phase II trials in the U.S., France and Canada, with more than 175 people receiving over 1,350 AIC injections. In these trials, AIC was shown to be safe and well tolerated, to provide measurable improvements in allergy symptoms and to reduce medication use. We are currently planning a two-year multi-site Phase III trial in the U.S. to evaluate the efficacy of AIC and plan to begin enrolling patients in the first quarter of 2004. We may be required to conduct additional trials in support of an NDA filing.

A Phase I trial, completed in the U.S. at Johns Hopkins University, suggested that AIC was better tolerated than conventional ragweed pollen extracts currently used in immunotherapy. This trial compared the skin test responses of six subjects receiving AIC and a commercially available ragweed immunotherapy product. The local allergic response to AIC was significantly less pronounced than that of the ragweed product. On average, approximately 180-fold more AIC was required to induce an allergic response equal to that of the ragweed product. These data support the potential for improved safety of AIC over ragweed extract for immunotherapy.

We conducted a Phase II trial in the U.S. in collaboration with Johns Hopkins University and the National Institutes of Health-sponsored Immune Tolerance Network. In the first year of the trial, 25 subjects were enrolled, 14 of whom received AIC and 11 of whom received placebo. Those receiving AIC were given a series of six weekly escalating doses of AIC ranging from 0.06 to 12.0 micrograms. All patients were treated prior to the 2001 ragweed season and then followed for symptoms during the season. Patients who received

AIC therapy prior to the 2001 ragweed season had significantly lower nasal allergy symptoms and used less allergy medication during the 2001 season as compared to placebo. Patients were followed without further treatment during the 2002 ragweed season and results indicated the same level of efficacy. A statistically significant difference between AIC and placebo was observed in both years. Although the trial was small, these results suggest that a single six-injection course of AIC could provide protection against ragweed allergy that lasts for at least two allergy seasons.

We conducted a Phase II trial with similar design in Canada during the 2001 ragweed season. The primary endpoints were the impact of AIC treatment on biological indicators of allergic response. In this trial, 28 subjects received AIC and 29 received placebo. After receiving the same dosage regimen as in the Hopkins trial, patients were followed during the 2001 and 2002 ragweed seasons. The trial achieved a statistically significant increase in interferon-gamma positive Th1 cells, a statistically significant decrease in eosinophils and IL-4 positive Th2 cells and a strong trend towards reduced numbers of IL-5 positive Th2 cells following the 2001 ragweed season. These results indicated a shift away from a Th2 response towards a Th1 response. Although this trial met its primary endpoints, there was no impact on clinical symptom scores or medication use in 2001. We believe this result may have been due to more relaxed inclusion criteria which resulted in the enrollment of patients without significant ragweed allergies. Clinical symptoms were impacted positively by AIC immunotherapy in 2002 and reached statistical significance for a subset of symptoms.

Three Phase II trials were also performed in France to evaluate the safety, tolerability and preliminary activity of higher doses of AIC, as well as the safety, tolerability and preliminary activity of re-immunizing patients with AIC prior to a second ragweed season. Across all three trials, 134 patients were enrolled, 67 of whom received an AIC regimen of up to 30 micrograms. Data are currently being analyzed, but preliminary assessments suggest that AIC was safely administered at these higher doses. No systemic adverse reactions were associated with treatment, and local reactions were mild and did not result in dose reductions.

We intend to initiate a multi-site Phase III trial in the U.S. in the first quarter of 2004. We plan to enroll up to 360 eligible patients. Prior to the 2004 ragweed season, patients will receive a six-week regimen of either placebo or escalating doses of up to 30 micrograms of AIC. The primary endpoint for the trial will be change in nasal symptom score for the 2004 ragweed season. Some patients will receive two additional booster shots of AIC prior to the 2005 ragweed season. All patients will also be followed for changes in nasal symptoms during the 2005 ragweed season.

Other Seasonal Allergy Immunotherapy Candidates

As AIC progresses through clinical development, we intend to produce similar ISS-allergen linked product candidates for the treatment of other major seasonal allergies. Each of grass, birch and cedar-induced seasonal allergic rhinitis is caused by an allergic immune system response to identified and characterized allergens. Consequently, product candidates for each can be produced in a manner similar to AIC. For example, the major grass allergen, Lol p 1, can be linked to ISS. As with AIC, we believe our approach may provide distinct advantages over conventional immunotherapy for these allergies, including a potentially favorable safety profile, significantly shorter dosing regimen and long-term therapeutic benefits.

AIC and our other seasonal allergy products should be well positioned to compete against not only currently available immunotherapies, but also other interventions targeting the symptoms of seasonal allergic rhinitis. We believe that our additional seasonal allergy products will present the same advantages over symptomatic interventions as described for AIC. As a result of these advantages and by providing a broader set of seasonal allergy immunotherapies, we may ultimately achieve an expansion into the large group of patients that currently chooses pharmacotherapies over existing immunotherapies.

Peanut Allergy

Commercial Opportunity

Peanut allergy accounts for the majority of severe food-related allergic reactions. Approximately 1.5 million people in the U.S. have a potentially life-threatening allergy to peanuts, with an estimated 50 to 100 deaths occurring in the U.S. each year.

Current Peanut Allergy Treatments and their Limitations

There are currently no products available that prevent peanut allergy. People allergic to peanuts must carefully monitor their exposure to peanuts and peanut byproducts. Emergency treatment following peanut exposure and the onset of allergic symptoms primarily consists of the administration of epinephrine to treat anaphylaxis. A clinical trial conducted by an academic research institution that attempted to desensitize patients with peanut allergy through conventional immunotherapy was halted due to the occurrence of a serious adverse event.

Our Approach to the Treatment of Peanut Allergy and its Benefits

We believe that ISS linked with the principal peanut allergen, Ara h 2, may be able to suppress the Th2 response and reduce or eliminate the allergic reaction without inducing anaphylaxis during the course of immunotherapy. Our primary advantage in this area is the potentially increased safety that may be achieved by linking ISS to the allergen. By using ISS to block recognition of the allergen by IgE and therefore prevent subsequent histamine release, we may be able to administer enough of the ISS-linked allergen to safely reprogram the immune response without inducing a dangerous allergic reaction. We believe the resulting creation of memory Th1 cells may provide long-term protection against an allergic response due to accidental exposure to peanuts.

Preclinical Status

We are developing a peanut allergy product candidate that consists of ISS linked to the major peanut allergen, Ara h 2. We have demonstrated in mice that peanut allergen linked to ISS induces much higher levels of Th1-induced IgG antibodies and much lower levels of IgE than natural peanut allergen. ISS-linked Ara h 2 also induces much higher levels of interferon-gamma and much lower levels of IL-5 than unmodified Ara h 2 in mice. Immunization with our product candidate has also been shown to protect peanut allergic animals from anaphylaxis and death following exposure to peanuts. In addition, we have demonstrated that ISS-linked Ara h 2 has significantly reduced allergic response as measured by in vitro histamine release assays using blood cells from peanut allergic patients.

Hepatitis B Products

Hepatitis B Prevention

Commercial Opportunity

Hepatitis B is a common chronic infectious disease, with an estimated 350 million chronic carriers worldwide. Prevention of hepatitis caused by the hepatitis B virus, or HBV, is central to managing the spread of the disease, particularly in regions of the world with large numbers of chronically infected individuals. While many countries have recently instituted infant vaccination programs, compliance is not optimal. Moreover, there are large numbers of individuals born prior to the implementation of these programs who are unvaccinated and are at risk for the disease. In addition, not all individuals respond to currently approved vaccines. Annual sales of HBV vaccines in 2001 exceeded $1.0 billion globally. If our HBV vaccine product candidate is approved, we plan to introduce it in various markets outside the U.S. We cannot distribute this product in the U.S. due to the presence of third-party patents covering HBsAg in the U.S. that extend to as late as 2019.

Current Hepatitis B Vaccines and their Limitations

Current HBV vaccines consist of a three-dose immunization regimen administered over six months. If completed, current HBV vaccination confers seroprotection to approximately 95% of healthy young adults. However, the rate of seroprotection achieved by conventional vaccines is lower for persons who are overweight or who smoke. Additionally, there is an inversely proportional relationship between age and the degree to which current vaccines confer seroprotection: the older you are, the less effective current vaccines

are. Compliance with the immunization regimen is also a significant issue, as many patients fail to receive all three doses. According to a survey of U.S. adolescents and adults published by the Centers for Disease Control, 53% of those who received the first dose of vaccine received the second dose of vaccine and only 30% received the third. We believe that compliance rates in other countries are similar. For healthy young adults, seroprotection rates after the first dose are reported to be between 10% and 12% and improve to only 38% to 56% after the second dose. Factoring together published clinical efficacy with compliance data, we estimate "field efficacy" of current vaccines to be approximately 50%. Consequently, an unacceptably large number of individuals who start the immunization series remain susceptible to infection. Poor field efficacy is of particular concern in regions with high HBV prevalence and constitutes a major public health issue.

Our Hepatitis B Vaccine Product Candidate and its Benefits

Current hepatitis B vaccines consist of hepatitis B surface antigen, or HBsAg, combined with alum as an adjuvant. Our vaccine candidate is composed of HBsAg combined with 1018 ISS and, unlike conventional vaccines, appears to require only two immunizations over two months to achieve seroprotection. In clinical trials we have been able to reduce both the time and number of injections required to reach seroprotection because of the potent immune-enhancing properties of ISS, which we believe may lead to seroprotection after one or two immunizations and thus provide superior field efficacy as compared to current HBV vaccines.

Clinical Status

We intend to initiate international multi-site Phase III trials in 2004 with primary endpoints of seroprotection rates after each injection. Results from Phase I and interim results from Phase II trials showed that our vaccine candidate was well tolerated and induced more rapid immunity with fewer immunizations than other currently available vaccines. Our Phase I trial investigated the effects of escalating doses of ISS, from 0.3 mg to 3.0 mg, in each case administered with the same amount of HBsAg as used in conventional vaccines. In this trial we enrolled 48 subjects and demonstrated that all subjects who received two injections of at least 0.65 mg ISS with HBsAg achieved seroprotection. We are currently conducting a Phase II trial in Canada evaluating the efficacy of two injections of our vaccine candidate (HBsAg plus 3.0 mg of 1018 ISS) compared to a commercially available vaccine, Engerix-B®. A total of 97 healthy young adults have been enrolled in this study, randomized to our vaccine and Engerix-B®. Interim results show that our vaccine induces a 77% seroprotection rate after one injection and 100% seroprotection after the second injection at two months. In contrast, subjects receiving Engerix-B® had seroprotection rates after the first and second injections of 9% and 62% respectively. We are also conducting a second Phase II trial to evaluate the efficacy of our vaccine in subjects who fail to respond to a full course of Engerix-B®. We expect results from the second Phase II trial in late 2003.

Hepatitis B Therapy

Commercial Opportunity

Management of HBV infection is a large and costly problem. HBV infection causes major morbidity, including acute and chronic inflammatory liver disease, which in turn can lead to cirrhosis, liver cancer and death. We believe a significant market opportunity exists in foreign markets, particularly in Asia, where the incidence of chronic HBV infection in 2002 was estimated by the World Health Organization to range from 4% to 12% of the population, representing a potential market in Asia of approximately 200 million individuals. Of this population segment, we estimate at least 10% will develop periodic acute flares requiring medical attention.

Currently Available HBV Therapies and their Limitations

Currently available therapies for chronic HBV infection include interferon alpha and antiviral drugs. Interferon-alpha has been shown to normalize liver enzyme function in approximately 40% of individuals treated. The approved antiviral drugs, which work by inhibiting viral replication, reduce HBV viral load approximately 3,000-fold and normalize liver enzymes in 50% to 75% of patients. However, both interferon-

alpha and antiviral drugs are expensive and may induce significant side effects. In addition, patients typically become resistant to antiviral drugs within one year of initiating treatment, ultimately rendering them ineffective as long-term therapies.

Benefits of our Approach to HBV Therapy

Our product candidate for HBV therapy, in which advanced ISS is both linked to and combined with HBsAg, may provide a more effective alternative for the elimination of infection in chronic carriers, in conjunction with existing antiviral therapies. Our immunotherapy is expected to induce a potent immune response against virus infected cells in the liver and has the potential to eradicate the infection.

Preclinical Status

Preclinical experiments in mice and primates have shown that our product candidate for HBV therapy redirects the immune response toward Th1-based immunity, producing strong interferon-gamma and cytotoxic T cell responses. Interferon-gamma and cytotoxic T cell responses are thought to be important for the control and/or elimination of chronic HBV infection.

Dynavax Asia

In October 2003 we formed Dynavax Asia Pte. Ltd., or Dynavax Asia, which will focus on our clinical and preclinical HBV programs. Dynavax Asia is incorporated in Singapore and will become a wholly owned subsidiary upon the closing of this offering. We will support the activities of Dynavax Asia through our own personnel and through limited hiring in Singapore. Because of the high incidence of HBV in Asia, we intend to conduct the majority of our Phase III trials for our HBV vaccine product candidate there. We also intend to continue preclinical research and, if merited, early human clinical trials for our HBV immunotherapy product candidate in Asia. We anticipate that certain activities associated with the conduct of these trials, as well as preclinical research into the development of advanced ISS formulations, will occur in Singapore.

Chronic Inflammation

Asthma

Commercial Opportunity

Asthma is a chronic disorder caused primarily by allergic inflammation of the airways, leading to recurrent episodes of wheezing, breathlessness, chest tightness, and coughing, particularly in the night or early morning. If not properly managed, asthma can be life threatening.

Asthma affects more than 100 million individuals worldwide. In the U.S. alone, asthma is estimated to afflict 20 million people. In addition, cases of asthma are on the rise, particularly in children and young adults. Sales of asthma drugs worldwide exceeded $7.0 billion in 2002.

Current Asthma Therapies and their Limitations

Current asthma therapies are aimed at suppressing or manipulating the immune and inflammatory components of asthma. The most common therapy is the use of corticosteroids, either systemically or by inhalation. The requirement for daily administration of inhaled corticosteroids to treat chronic asthma often leads to poor compliance, especially in younger patients. In addition, inhaled corticosteroids are associated with side effects such as reduced growth rate in children and possible bone demineralization. Other approaches such as leukotriene inhibitors and anti-IgE monoclonal antibodies have modest efficacy.

Inhaled ISS for Asthma and its Benefits

In most people, asthma is an allergic inflammatory disease caused by multiple allergens. As a result, an approach relying on the linkage of ISS to a large number of allergens would be technically and commercially challenging. To address this issue, we have formulated ISS for pulmonary delivery with no linked allergen,

relying on natural exposure to multiple allergens to produce specific long-term immunity. We anticipate that ISS would be administered on a weekly basis initially. Once the immune response to asthma-causing allergens has been re-programmed to a Th1 response, it may be possible to reduce administrations of ISS to longer periodic intervals or only as needed. In addition, based on preclinical data, we believe that this therapy may lead to reversal of airway remodeling caused by asthma.

Clinical Status

Based on preclinical studies that demonstrated efficacy in mouse and primate asthma models, we have initiated a clinical development program for inhaled 1018 ISS in asthma. We have completed a Phase I trial to evaluate the safety and tolerability of inhaled 1018 ISS in 54 healthy subjects. In the first part of the trial, ISS was found to be well tolerated at escalating doses. In the second part of the trial, measurable increases in the expression of cytokines induced by 1018 ISS were observed in treated patients relative to placebo, confirming our understanding of its mechanism of action.

We are currently conducting a pilot Phase II trial to evaluate the preliminary safety and tolerability of 1018 ISS in mild asthmatics and assess the efficacy of the treatment following allergen challenge. In this trial, 30 patients are being given four weekly doses of either 1018 ISS or placebo. The primary endpoint of this trial is a comparison of the allergen-induced clinical symptoms between 1018 ISS and placebo following the final dose. Results from this trial are expected in early 2004.

Additional Programs

In addition to our primary product portfolio, we are pursuing the following earlier stage programs:

	Indication	Approach	Funding Status	Program Status
Next-Generation Vaccines:	Anthrax	Advanced ISS formulations	NIAID biodefense grant	Preclinical
	Human viral influenza	Advanced ISS linked to influenza nucleoprotein	NIAID biodefense grant	Preclinical
Cancer:	Non-Hodgkin's lymphoma	1018 ISS in combination with Rituxan®	Internally funded	Phase I
Antiviral Applications:	Innate immunity	Pulmonary delivery of advanced ISS	NIAID biodefense grant	Preclinical
Chronic Inflammation:	Rheumatoid arthritis	TZP	Internally funded	Preclinical
	Crohn's disease	TZP	Internally funded	Preclinical

Next-generation Vaccines

Anthrax

The demand for a new anthrax vaccine was heightened by the bioterrorist attacks in 2001, when anthrax-laden envelopes were sent via the U.S. Mail. The only available anthrax vaccine, Anthrax Vaccine Adsorbed, or AVA, was approved in the U.S. in 1970 and has been used extensively by the military. The vaccine has been reported to cause relatively high rates of local and systemic adverse reactions. In addition, the administration of AVA requires six subcutaneous injections over 18 months with subsequent annual boosters.

We are using our advanced ISS technology to develop an improved anthrax vaccine that we expect will be well tolerated and provide protective immunity after one or two immunizations. Our vaccine candidate will be composed of recombinant anthrax protective antigen, or rPA, combined with advanced ISS enhanced by a proprietary formulation. The use of advanced ISS in this formulation should enhance both the speed and magnitude of the antibody response developed against rPA compared to AVA and other rPA-based products in

development. Preclinical experiments have demonstrated that rPA combined with our advanced ISS formulations has generated significantly higher antibody responses compared to rPA alone or rPA combined with the standard vaccine adjuvant, alum. In the third quarter of 2003, the National Institute of Allergy and Infectious Diseases, or NIAID, awarded us a $3.7 million grant over three and a half years to fund research and development of an advanced anthrax vaccine as part of its biodefense program.

Human Viral Influenza

Human viral influenza is an acute respiratory disease of global dimension with high morbidity and mortality in annual epidemics. In the U.S., there are an estimated 20,000 viral influenza-associated deaths per year. Pandemics occur infrequently, on average every 33 years, with high rates of infection resulting in increased mortality. The last pandemic occurred 35 years ago, and virologists anticipate that a new pandemic strain could emerge any time.

Current flu vaccines are directed against specific surface antigen proteins. These proteins vary significantly each year, requiring the vaccine to be reconfigured and administered annually. Our approach links advanced ISS to nucleoprotein, or NP, one of the flu antigens that varies little from year to year, and then adds it to conventional vaccine to augment its activity. While NP alone is not capable of inducing a protective immune response, we believe that linked ISS-NP added to conventional vaccine will not only increase antibody responses capable of blocking viral infections but also confer protective immunity against divergent influenza strains. In the third quarter of 2003 we were awarded a $3.0 million grant over three and a half years to fund research and development of an advanced pandemic influenza vaccine under an NIAID program for biodefense administered by the National Institutes of Health.

Cancer

We have used 1018 ISS in preclinical studies in conjunction with a variety of anti-tumor monoclonal antibodies as a combination therapy, with the goal of enhancing the cytotoxic effects that these antibodies have on cancer cells. This intervention has been shown to be effective in preclinical models utilizing anticancer monoclonal antibodies. We are currently conducting an open-label Phase I, dose-escalation trial of 1018 ISS in combination with RITUXAN® in 26 patients with non-Hodgkin’s lymphoma to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of 1018 ISS administered in combination with RITUXAN®. We expect to complete the trial in 2004.

Antiviral Applications

The potential of natural or laboratory-engineered infectious microorganisms as weapons of terrorism and warfare is now recognized as a significant threat. In addition, naturally emerging infectious diseases are a constant threat and impossible to anticipate. Vaccination against a few of these organisms, such as anthrax and smallpox, is possible; however, predicting all possible biological threats is impractical. Increasing the resistance of individuals to a wide range of potential pathogens by stimulating their innate immune response would provide a complementary approach to vaccination against specific pathogens. As the most likely route of exposure to biological weapons is through the air, stimulation of innate immune mechanisms in the lungs would be particularly important.

We have shown in animal models that ISS enhances innate immunity and increases resistance to a variety of pathogens in both prophylactic and therapeutic settings. We are currently evaluating the effects of advanced ISS as prophylaxis against a broad spectrum of biological agents in both mouse and primate models. In the third quarter of 2003, we were awarded an NIAID biodefense grant of $1.7 million over two and one-half years. This grant will fund research and development of a product candidate using pulmonary delivery to elicit prophylactic innate immunity to airborne biological agents.

Chronic Inflammation

Tumor necrosis factor alpha, or TNF-alpha, is a cytokine that plays a major role in the body’s response to infectious diseases. Following bacterial or viral infection, TNF-alpha is normally released as part of a Th1-

dominated immune response to fight the invading pathogen. In a number of diseases, such as rheumatoid arthritis, Crohn's disease and psoriasis, however, inappropriately high levels of this cytokine are produced, leading to the debilitating symptoms of these conditions. A number of published studies have shown that inhibition of TNF-alpha is effective in the treatment of these diseases.

We are developing drugs based on a novel class of chemical compounds called thiazolopyrimidines, or TZPs, for the treatment of rheumatoid arthritis, Crohn's disease and other TNF-alpha mediated diseases. TZPs are our proprietary small molecules that inhibit the production of TNF-alpha and IL-12. They appear to have a novel mechanism of action, including a high degree of specificity, increasing their potential to be used as drugs.

We are conducting preclinical studies to determine the mechanism of action of TZPs as well as evaluate their activity ex-vivo. Based on the outcome of these studies, we will determine whether to initiate clinical trials using TZPs in rheumatoid arthritis, Crohn's disease or potentially in other inflammatory diseases.

We have contracted with BioSeek, Inc. to conduct preclinical studies to determine the mechanism of action for TZPs. Under the terms of the agreement, we are obligated to pay BioSeek a milestone payment upon determination of the mechanism of action. Additional milestone payments and royalties are payable to BioSeek if we partner or commercialize our TZP program.

Intellectual Property

Our intellectual property portfolio can be divided into three main technology areas: ISS, TZP and DNA vaccination. We have entered into exclusive, worldwide license agreements with the Regents of the University of California, or UC, for technology and related patent rights in these three technology areas.

- *ISS technology:* We have ten issued U.S. and foreign patents, 33 pending U.S. patent applications, and 73 pending foreign applications that seek worldwide coverage of compositions and methods using ISS technology. Some of these patents and applications have been exclusively licensed worldwide from UC. Among others, we hold issued U.S. patents covering 1018 ISS as a composition of matter; the use of ISS alone to treat asthma; and ISS linked to allergens and viral or tumor antigens.

- *TNF-alpha inhibitors:* We have eight issued U.S. and foreign patents and eight pending U.S. and foreign patent applications providing worldwide rights to a group of small-molecule TNF-alpha synthesis inhibitors known as TZPs. We hold exclusive, worldwide licenses to these patents and patent applications held by UC.

- *DNA vaccination technology:* We have 14 issued U.S. and foreign patents and nine pending U.S. and foreign patent applications covering methods and compositions for DNA vaccination and methods for their use. We hold an exclusive worldwide license from UC for patents and patent applications relating to DNA vaccination, and we have the right to grant sublicenses to third parties. Effective January 1998, we entered into a cross-licensing agreement with Vical, Inc. that grants each company exclusive, worldwide rights to combine the other firm's patented technology for DNA immunization with its own for selected indications.

Under the terms of our license agreements with UC, we are required to pay license fees, make milestone payments and pay royalties on net sales resulting from successful products originating from the licensed technologies. In addition, one of the license agreements requires us to make a one-time cash payment to UC upon the conclusion of this offering based on the initial public offering price. This payment would be $, assuming an initial public offering price of $ per share. We may terminate these agreements in whole or in part on 60 days' advance notice. UC may terminate these agreements if we are in default for failure to make royalty payments, produce required reports or fund internal research or we do not cure a breach within 60 days after being notified of the breach by UC. Otherwise, the agreements do not terminate until the last patent claiming a product licensed under the agreement or its manufacture or use expires, or in the absence of patents, until the date the last patent application is abandoned, except for the TZP agreement, which will expire on such date or on October 2013, whichever is later.

Although we believe our patents and patent applications, including those that we license, provide a competitive advantage, the patent positions of pharmaceutical and biopharmaceutical companies are highly uncertain and involve complex legal and factual questions. We and our collaborators or licensors may not be able to develop patentable products. We and our collaborators or licensors may not be able to obtain patents from pending patent applications. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us. These current patents, or patents that issue on pending applications, may be challenged, invalidated, infringed or circumvented, and the rights granted in those patents may not provide proprietary protection or competitive advantages to us. Patent applications filed before November 29, 2000 in the U.S. are maintained in secrecy until patents issue; later filed U.S. applications and patent applications in most foreign countries generally are not published until at least 18 months after they are filed. Scientific and patent publication often occurs long after the date of the scientific discoveries disclosed in those publications.

Accordingly, we cannot be certain that we were the first to invent the subject matter covered by any patent application or that we were the first to file a patent application for any inventions. Our commercial success depends significantly on our ability to operate without infringing patents and proprietary rights of third parties. A number of pharmaceutical companies, biotechnology companies, including Coley Pharmaceutical Group, as well as universities and research institutions may have filed patent applications or may have been granted patents that cover technologies similar to the technologies owned or licensed to us. We cannot determine with certainty whether patents or patent applications of other parties may materially affect our ability to make, use or sell any products. The existence of third-party patent applications and patents could significantly reduce the coverage of the patents owned by or licensed to us and limit our ability to obtain meaningful patent protection.

If patents containing competitive or conflicting claims are issued to third parties, we may be enjoined from pursuing research, development or commercialization of products or be required to obtain licenses to these patents or to develop or obtain alternative technology. In addition, other parties may duplicate, design around or independently develop similar or alternative technologies to ours or our licensors. If another party controls patents or patent applications covering our products, we may not be able to obtain the rights we need to those patents or patent applications in order to commercialize our products. We have developed second-generation technology that we believe reduces many of these risks.

Litigation may be necessary to enforce patents issued or licensed to us or to determine the scope or validity of another party's proprietary rights. U.S. Patent Office interference proceedings may be necessary if we and another party both claim to have invented the same subject matter. One of our potential competitors has issued U.S. patent claims, as well as patent claims pending with the U.S. Patent and Trademark Office, that, if held to be valid, could require us to obtain a license in order to commercialize one or more of our formulations of ISS in the U.S., including AIC. We are seeking to have an interference proceeding declared by the U.S. Patent and Trademark Office against that potential competitor. If we are unsuccessful in having the interference declared, or if we are successful but do not prevail in the proceeding, we may not be able to obtain patent protection on the subject matter of the interference, which could have a material adverse impact on our business. In addition, if the interference is not declared or if the potential competitor prevails in the interference, it may seek to enforce its rights under issued claims, including, for example, by suing us for patent infringement. Consequently, we may seek to obtain a license to issued and/or pending claims held by our potential competitor by paying cash, granting royalties on sales of our products or offering rights to our own proprietary technologies. Such a license may not be available to us on acceptable terms, if at all.

We could incur substantial costs if:

- litigation is required to defend against patent suits brought by third parties;
- we participate in patent suits brought against or initiated by our licensors;
- we initiate similar suits; or
- we pursue an interference proceeding.

In addition, we may not prevail in any of these actions or proceedings. An adverse outcome in litigation or an interference or other proceeding in a court or patent office could:

- subject us to significant liabilities;
- require disputed rights to be licensed from other parties; or
- require us to cease using some of our technology.

We also rely on trade secrets and proprietary know-how, especially when we do not believe that patent protection is appropriate or can be obtained. Our policy is to require each of our employees, consultants and advisors to execute a confidentiality and inventions agreement before beginning their employment, consulting or advisory relationship with us. These agreements generally provide that the individuals must keep confidential and not disclose to other parties any confidential information developed or learned by the individuals during the course of their relationship with us except in limited circumstances. These agreements also generally provide that we own all inventions conceived by the individuals in the course of rendering services to us.

In the future, we may collaborate with other entities on research, development and commercialization activities. Disputes may arise about inventorship and corresponding rights in know-how and inventions resulting from the joint creation or use of intellectual property by us and our collaborators, licensors, scientific collaborators and consultants. In addition, other parties may circumvent any proprietary protection we do have. As a result, we may not be able to maintain our proprietary position.

Research Agreement with the University of California, San Diego

In December 1998, we entered into an agreement with UC on behalf of the University of California, San Diego in which the University of California, San Diego agreed to conduct research aimed at discovering novel applications for ISS. According to the agreement, we will fund the project up to approximately $1.0 million per year, expiring in the first half of 2004. Subject to the provisions of the agreement, the University of California, San Diego will retain all intellectual property rights to discoveries made by its employees, but must promptly disclose any new discoveries to us. We will retain all intellectual property rights to any discoveries we make. The agreement also gives us a right of first refusal to license any discoveries made by the University of California, San Diego. The project will terminate on June 30, 2004 unless we terminate it earlier under the terms of the agreement. Pursuant to the terms of the agreement, we will make a one time cash payment to UC based on the initial public offering price. The payment will be $ assuming an initial public offering price of $ per share.

Manufacturing

The process for manufacturing oligonucleotides such as ISS is well established and uses commercially available equipment and raw materials. To date, we have manufactured small quantities of our oligonucleotide formulations for research purposes. We have relied on a single contract manufacturer to produce our ISS for clinical trials. We have identified several additional manufacturers with whom we could contract for the manufacture of ISS. AIC consists of ISS linked to Amb a 1, which we purify from ragweed pollen purchased from commercial suppliers of ragweed pollen. In the past, AIC was produced for us by a single contract manufacturer. Our existing supplies of AIC are sufficient for us to conduct our currently planned Phase III clinical trial. We plan to qualify and enter into manufacturing agreements with one or more new commercial manufacturers to produce additional supplies of AIC as required for completion of clinical trials and commercialization.

Our HBV vaccine consists of ISS combined with clinical grade HBsAg using standard fill and finish processes. HBsAg is manufactured worldwide by several companies. We have acquired HBsAg for our clinical trials to date from a single commercial manufacturer. We are currently in discussions with several potential suppliers of HBsAg to secure a supply of antigen necessary to permit us to commence our planned Phase III trials and to commercialize our HBV vaccine product candidate.

Marketing

We have no sales, marketing or distribution capability. We currently intend to seek global partners to help us market certain product candidates within our seasonal allergy portfolio as well as our hepatitis B product candidates. Although we have not yet determined our commercialization strategy for our other product candidates, we are inclined to license commercial rights to large pharmaceutical companies with appropriate marketing and distribution capabilities, except in instances where it may prove feasible to build a small direct sales organization targeting a narrow specialty or therapeutic area.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Many of our competitors, including biotechnology and pharmaceutical companies, academic institutions and other research organizations, are actively engaged in the discovery, research and development of products that could compete directly or indirectly with our products under development.

If AIC is approved and commercialized, it will compete directly with conventional allergy immunotherapy. Conventional allergy immunotherapy products are mixed by allergists and customized for individual patients from commercially available plant material extracts. Because conventional immunotherapies are customized on an individual patient basis, they are not marketed or sold as FDA approved pharmaceutical products. In addition, a number of companies, including GlaxoSmithKline Plc, Merck & Co., Inc., and AstraZeneca Plc, produce pharmaceutical products, such as antihistamines, corticosteroids and anti-leukotriene agents, which manage seasonal allergy symptoms. We consider these pharmaceutical products as indirect competition for AIC because while they are targeting the same disease, they do not attempt to treat the underlying causation of the disease.

Our HBV vaccine, if it is approved and commercialized, will compete directly with existing, three-injection vaccine products produced by Merck & Co., Inc., GlaxoSmithKline Plc, and Berna Biotech AG, among others. There are also two-injection HBV vaccine products in clinical development, including a vaccine being developed by GlaxoSmithKline Plc. In addition, our HBV vaccine will compete against a number of multivalent vaccines that simultaneously protect against HBV in addition to other diseases. Our HBV immunotherapy, if developed, approved and commercialized, will compete directly with existing HBV therapeutic products, including those manufactured by Roche Group, Schering-Plough Corporation, Gilead Sciences, Inc. and GlaxoSmithKline Plc.

Our inhaled 1018 ISS asthma product candidate would indirectly compete with existing asthma therapies, including corticosteroids, leukotriene inhibitors and IgE monoclonal antibodies, including those produced by Novartis Corporation, AstraZeneca Plc, Schering-Plough Corporation and GlaxoSmithKline Plc. We consider these existing therapies to be indirect competition because they only attempt to address the symptoms of the disease, and, unlike our product candidate, do not attempt to address the underlying cause of the disease. We are also aware of a preclinical injectable product which may target the underlying cause of asthma, rather than just the symptoms, which is being developed by Aventis Group under a collaboration agreement with Coley Pharmaceutical Group. This product, if approved and commercialized, may compete directly with our asthma product candidate.

Many of the entities developing and marketing these competing products have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing than us. Smaller or early-stage companies may also prove to be significant competitors, particularly for collaborative agreements with large, established companies and access to capital. These entities may also compete with us in recruiting and retaining qualified scientific and management personnel, as well as in acquiring technologies complementary to, or necessary for, our programs.

We expect that competition among products approved for sale will primarily be based on the efficacy, ease of use, safety profile, and price. Our ability to compete effectively, develop products that can be

manufactured cost-effectively and market them successfully based on differentiated label claims will depend on our ability to:

- show efficacy and safety in our clinical trials;
- obtain required government and other public and private approvals on a timely basis;
- enter into collaborations to manufacture, market and sell our products;
- maintain a proprietary position in our technologies and products; and
- attract and retain key personnel.

Regulatory Considerations

The advertising, labeling, storage, record-keeping, safety, efficacy, research, development, testing, manufacture, promotion, marketing and distribution of our potential products are subject to extensive regulation by numerous governmental authorities in the U.S. and other countries. In the U.S., pharmaceutical products are subject to rigorous review by the Food and Drug Administration, or FDA, under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and other federal statutes and regulations. The steps ordinarily required by the FDA before a new drug or biologic may be marketed in the U.S. are similar to steps required in most other countries and include:

- completion of preclinical laboratory tests, preclinical trials and formulation studies;
- submission to the FDA of an investigational new drug application, or IND, for a new drug or biologic, which must become effective before clinical trials may begin;
- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug or biologic for each proposed indication;
- the submission of a new drug application, or NDA, or a biologics license application, or BLA, to the FDA; and
- FDA review and approval of the NDA or BLA before any commercial marketing, sale or shipment of the drug.

If we do not comply with applicable requirements, U.S. regulatory authorities may:

- fine us;
- require that we recall our products;
- seize our products;
- require that we totally or partially suspend the production of our products;
- refuse to approve our marketing applications;
- criminally prosecute us; and
- revoke previously granted marketing authorizations.

To secure FDA approval, we must submit extensive non-clinical and clinical data, manufacturing information, and other supporting information to the FDA for each indication to establish a product candidate’s safety and efficacy. The approval process takes many years, requires the expenditures of substantial resources, involves post-marketing surveillance and may involve requirements for additional post-marketing studies. The FDA may also require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any approvals that could restrict the commercial applications of these products. The FDA may withdraw product approvals if we do not continue to comply with regulatory standards or if problems occur following initial marketing. Delays experienced during the governmental approval process may materially reduce the period during which we will have exclusive rights to exploit patented products or technologies.

Non-clinical studies involve laboratory evaluation of product characteristics and animal studies to assess the initial efficacy and safety of the product. The FDA, under its Good Laboratory Practices regulations, regulates non-clinical studies. Violations of these regulations can, in some cases, lead to invalidation of those studies, requiring these studies to be replicated. The results of the non-clinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an investigational new drug application, which must be approved by the FDA before we can commence clinical investigations in humans. Unless the FDA objects to an investigational new drug application, the investigational new drug application will become effective 30 days following its receipt by the FDA. Clinical trials involve the administration of the investigational product to humans under the supervision of a qualified principal investigator. We must conduct our clinical trials in accordance with Good Clinical Practice under protocols submitted to the FDA as part of the investigational new drug application. In addition, each clinical trial must be approved and conducted under the auspices of an investigational review board and with patient informed consent. The investigational review board will consider, among other things, ethical factors, the safety of human subjects and the possibility of liability of the institution conducting the trial.

Clinical trials typically are conducted in three sequential phases that may overlap. Phase I clinical trials may be performed in healthy human subjects or, depending on the disease, in patients. The goal of the Phase I clinical trial is to generate initial data about the safety and tolerance of the product in humans. Phase II clinical trials evaluate, in addition to safety, the preliminary efficacy of the product in limited patients with the target disease and seek to establish the optimum dose. Phase III clinical trials typically involve additional testing for safety and clinical efficacy in expanded, large scale, multi-center studies of patients with the target disease.

We and all of our contract manufacturers are required to comply with the applicable FDA current Good Manufacturing Practice, or cGMP, regulations. Manufacturers of biologics also must comply with FDA's general biological product standards. Failure to comply with the statutory and regulatory requirements subjects the manufacturer to possible legal or regulatory action, such as suspension of manufacturing, seizure of product or voluntary recall of a product. cGMP regulations require quality control and quality assurance as well as the corresponding maintenance of records and documentation. Prior to granting product approval, the FDA must determine that our or our third party contractor's manufacturing facilities meet cGMP requirements before we can use them in the commercial manufacture of our products. In addition, our facilities are subject to periodic inspections by the FDA for continued compliance with cGMP requirements following product approval. Adverse experiences with the product must be reported to the FDA and could result in the imposition of market restriction through labeling changes or in product removal.

Outside the U.S., our ability to market a product is contingent upon receiving marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing and reimbursement vary widely from country to country.

At present, foreign marketing authorizations are applied for at a national level, although within the European Union registration procedures are mandatory for biotechnology and some other novel drugs and are available to companies wishing to market a product in more than one European Union member state. The regulatory authority generally will grant marketing authorization if it is satisfied that we have presented it with adequate evidence of safety, quality and efficacy.

We are also subject to various federal, state and local laws, regulations and recommendations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research. We cannot accurately predict the extent of government regulation that might result from any future legislation or administrative action.

Employees

As of the date of this prospectus, we have 46 full-time employees, including ten Ph.D.s, two M.D.s and eight others with advanced degrees. Of the 46 employees, 29 are dedicated to research and development

activities. None of our employees is subject to a collective bargaining agreement, and we believe our relations with our employees are good.

Facilities

We lease approximately 11,500 square feet of laboratory and office space in Berkeley, California under a lease expiring in May 2008 and 8,700 square feet of general office space in Emeryville, California under a lease expiring in March 2004. We are currently negotiating new leases for office space to replace our Emeryville lease and for additional space.

Legal Proceedings

We are not a party to any material legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the name, age and position of each of our executive officers and directors as of September 30, 2003.

Name	Age	Position
Dino Dina, M.D.	57	President and Chief Executive Officer and Director
Robert L. Coffman, Ph.D.	57	Vice President and Chief Scientific Officer
William J. Dawson	49	Vice President, Finance & Operations and CFO
Daniel Levitt, M.D., Ph.D.	55	Vice President and Chief Medical Officer
Stephen F. Tuck, Ph.D.	41	Vice President, Biopharmaceutical Development
Gary A. Van Nest, Ph.D.	53	Vice President, Preclinical Research
Daniel S. Janney	38	Chairman of the Board
Louis C. Bock	38	Director
Dennis Carson, M.D.	57	Director
Jan Leschly	62	Director
Arnold L. Oronsky, Ph.D.	63	Director

Dino Dina, M.D. has been our President and a member of our Board of Directors since May 1997 and our Chief Executive Officer since May 1998. From 1982 until he joined us in 1997, Dr. Dina was an employee of Chiron Corporation, a biopharmaceutical company. At Chiron, Dr. Dina held a series of positions with increasing responsibility. He ultimately served as president of Chiron Vaccines (formerly Biocine Company), which he directed from its inception in 1987. Under Dr. Dina's direction, Chiron Vaccines received the first-ever approval of an adjuvanted influenza vaccine in Italy, successfully completed development of the first genetically engineered pertussis vaccine and conducted clinical trials for vaccines to prevent HIV, herpes simplex type II, cytomegalovirus and hepatitis B infections. The virology group he directed was responsible for several key scientific findings, including the discovery, cloning and sequencing of the hepatitis C virus and the cloning and sequencing of the viral genomes for HIV and hepatitis A viruses. Prior to joining Chiron, Dr. Dina was employed at Albert Einstein College of Medicine in Bronx, New York, as an assistant professor of genetics from 1977 to 1982. He received his M.D. from the University of Genova Medical School in Italy.

Robert L. Coffman, Ph.D. has been our Vice President and Chief Scientific Officer since December 2000. Dr. Coffman joined Dynavax from the DNAX Research Institute where he had been since 1981, most recently as Distinguished Research Fellow. Prior to that, he was a postdoctoral fellow at Stanford University Medical School. Dr. Coffman has made fundamental discoveries about the regulation of immune responses in allergic and infectious diseases. He shared the William S. Coley Award for Research in Immunology for discovery of the Th1 and Th2 subsets of T lymphocytes, the cells that control most immune responses. Dr. Coffman received his Ph.D. from the University of California, San Diego and his AB from Indiana University.

William J. Dawson has been our Vice President, Finance & Operations, and Chief Financial Officer since August 2002. From 1998 through 2001, he was corporate senior vice president, business development, for McKesson Corporation, a healthcare services company, where he was responsible for mergers and acquisitions and venture capital investing. He was also acting chief financial officer of iMcKesson, an e-health subsidiary of McKesson with $300 million in revenue. Prior to McKesson, Mr. Dawson was a managing director in corporate finance at Volpe Brown Whelan LLC, an investment banking firm, where he specialized in biopharmaceutical companies. Mr. Dawson serves on the boards of directors of McGrath RentCorp, a public equipment finance company, and Wellington Trust Company, a subsidiary of Wellington Management Company LLC, a private institutional fund management company. Mr. Dawson earned his MBA from Harvard Business School and his AB in mechanical engineering from Stanford University.

Daniel Levitt, M.D., Ph.D. has been our Vice President and Chief Medical Officer since August 2003 and is responsible for our clinical, regulatory, and medical affairs. Dr. Levitt joined Dynavax from Affymax, where he was chief operating officer and head, research and development. Before joining Affymax, Dr. Levitt was senior vice president, drug development, and then president, research and development, at Protein Design Labs, Inc. Prior to Protein Design Labs, he had a successful and progressive career in scientific management, clinical, and regulatory affairs at Geron, Sandoz, and Hoffman-LaRoche. His academic appointments included the Guthrie Research Institute in Sayre, Pennsylvania and the University of Chicago Hospitals and Clinics. He earned his M.D. and Ph.D. in biology from the University of Chicago, completed his residency at Yale-New Haven Hospital, was a clinical and research fellow at the University of Alabama Medical Center and graduated magna cum laude, Phi Beta Kappa from Brandeis University.

Stephen F. Tuck, Ph.D. has been our Vice President of Biopharmaceutical Development since November 2000 and previously served as our Senior Director of Biopharmaceutical Development since joining us in November 1997. From 1992 until he joined us in 1997, Dr. Tuck was employed by Chiron Corporation, where he had served in various capacities in the Technical Affairs and Process Development departments. At Chiron, Dr. Tuck was involved in the development of Fluad™, a novel adjuvanted influenza vaccine, various subunit vaccines, adjuvants and protein therapeutics. Prior to joining Chiron, Dr. Tuck was a post-doctoral fellow at Johns Hopkins University School of Medicine and the University of California, San Francisco. He has over 14 years of experience in pharmaceutical chemistry. Dr. Tuck received his Ph.D. and B.Sc. from Imperial College, University of London.

Gary A. Van Nest, Ph.D. has been our Vice President of Preclinical Research since November 2000 and previously served as our Senior Director of Preclinical Research since joining us in November 1997. From 1985 until he joined us in 1997, Dr. Van Nest was employed by Chiron Corporation, where he served in several positions of increasing responsibility culminating in a position as Acting Head of Vaccine Research. At Chiron, Dr. Van Nest directed the development of novel adjuvants and delivery vehicles for subunit vaccines for herpes, HIV, influenza, hepatitis B virus, hepatitis C virus and cytomegalovirus. Dr. Van Nest has authored over 40 publications. He received his Ph.D. in biochemistry from the University of Arizona and his BA from the University of California, Riverside.

Daniel S. Janney has been Chairman of our Board of Directors since December 1996. Since February 1996, he has been employed by Alta Partners, a venture capital firm, where he is a managing director. Prior to joining Alta Partners, Mr. Janney was a vice president of Montgomery Securities' health care and biotechnology investment banking group from 1993 to 1996. In addition to his position as our Chairman of the Board, Mr. Janney also sits on the boards of directors of several private companies. He received his MBA from the Anderson School at UCLA and his BA from Georgetown University.

Louis C. Bock has been a member of our Board of Directors since December 1999. Mr. Bock has been a managing director with Bank of America Ventures, a venture capital firm, since September 1997. From September 1989 to September 1997, Mr. Bock was employed by Gilead Sciences, a biopharmaceutical company, where he held various positions in research, project management, business development and sales. Prior to joining Gilead, Mr. Bock was a research associate at Genentech, a biopharmaceutical company, from November 1987 to September 1989. He currently serves on the Board of Directors of Prolinx, a biotechnology company, Synthon, a biotechnology company, diaDexus, a genomics company, Structural GenomiX, a genomics company, and Neuron Therapeutics, a biopharmaceutical company. He received his MBA from California State University, San Francisco and his BS in biology from California State University, Chico.

Dennis Carson, M.D. has been a member of our Board of Directors since December 1996. Dr. Carson is a noted researcher in the fields of autoimmune and immunodeficiency diseases and is co-discoverer with Dr. Eyal Raz of the immunostimulatory sequences that form the basis of our technology. He has played key roles in the founding of Vical, Inc., a gene therapy company, IDEC Pharmaceuticals, a biopharmaceutical company, and Triangle Pharmaceuticals. Dr. Carson is director of the Sam and Rose Stein Institute for Research on Aging and has been a professor in the Department of Medicine at the University of California, San Diego since 1995. He received his M.D. from Columbia University and his BA from Haverford College.

Jan Leschly is Chairman and Partner at Care Capital. Before founding Care Capital in 2000, Mr. Leschly was Chief Executive of SmithKline Beecham PLC from 1994 to 2000. He joined SmithKline Beecham as Chairman of the Worldwide Pharmaceutical business in 1990 and was elected to the Board of Directors in 1990. Before joining SmithKline Beecham, Mr. Leschly served as President and Chief Operating Officer of Squibb Corporation. He joined Squibb in 1979 as Vice President, Commercial Development and in 1984 he was elected Group Vice President and a member of the Board of Directors with responsibility for the Worldwide Pharmaceuticals Products Group. Prior to this, he worked for seven years with Novo Nordisk, where he served as Executive Vice President and President of the Pharmaceutical Division. Mr. Leschly is a member of the boards of directors of the American Express Company, Viacom Inc. and the Maersk Group and serves on the International Advisory Board of DaimlerChrysler AG. He is a member of the Business Council and the Emory University Goizueta Business School Dean's Advisory Council. Before his business career, Mr. Leschly made his name in professional tennis, ranking 10th in the world in 1967. He serves as Chairman of the International Tennis Hall of Fame. Born in Denmark, Mr. Leschly received his MS in pharmacy from the Copenhagen College of Pharmacy and a BS in business administration from the Copenhagen School of Economics and Business Administration.

Arnold L. Oronsky, Ph.D. has been a member of our Board of Directors since November 1996. Dr. Oronsky is a general partner with InterWest Partners, a venture capital firm. Prior to joining InterWest Partners in 1994, Dr. Oronsky was vice president of discovery research for the Lederle Laboratories division of American Cyanamid, a pharmaceutical company. From 1973 until 1976, Dr. Oronsky was head of the inflammation, allergy and immunology research program at Ciba-Geigy Pharmaceutical Company. Dr. Oronsky also served as a senior lecturer in the Department of Medicine at The Johns Hopkins Medical School. Dr. Oronsky has won numerous grants and awards and has published over 125 scientific articles. Dr. Oronsky serves on the boards of directors of Coulter Pharmaceuticals, Inc., a biopharmaceutical company, Corixa Corporation, a biopharmaceutical company and BioTransplant Incorporated, a biopharmaceutical company. He received his Ph.D. from Columbia University, College of Physicians and Surgeons and his AB from New York University.

Board of Directors

Our Board of Directors is currently comprised of six directors and is authorized to have up to nine members. Upon completion of this offering, our board will be divided into three classes of directors serving staggered three-year terms. As a result, our stockholders will elect approximately one-third of the Board of Directors each year. The classification of our Board of Directors, together with other provisions in our certificate of incorporation, including provisions that allow our Board of Directors to fill vacancies on or increase the size of our board, may delay or prevent changes in control of our board or our management.

Our Board of Directors has designated that Messrs. and will serve as Class I directors, whose terms expire at the 2004 annual meeting of stockholders. Messrs. and will serve as Class II directors whose terms expire at the 2005 annual meeting of stockholders. Messrs. and will serve as Class III directors whose terms expire at the 2006 annual meeting of stockholders.

Director Compensation

Our directors who are also employees receive no additional compensation for their services as directors. Our current non-employee directors do not receive a fee for attendance in person at meetings of the Board of Directors or committees of the Board of Directors, but they are reimbursed for travel expenses and other out-of-pocket costs incurred in connection with their attendance of meetings. Each non-employee director first elected or appointed to our Board of Directors following the completion of this offering will be eligible to receive options and to-be-issued shares of common stock directly under our 2003 Non-Employee Director Option Program. New, eligible non-employee directors will be granted an initial option to purchase shares of our common stock with subsequent annual option grants to purchase shares of our common stock. The exercise price per share for these options will equal the fair market value of our common stock at the date of grant. Each stock option received by eligible non-employee directors will vest and

become exercisable over a period of four years. Our directors who are also employees are eligible to receive options and be issued shares of common stock directly under our 1997 equity incentive plan, as amended, and will be eligible under our 2003 stock incentive plan.

Board Committees

Our Board of Directors has established a compensation committee and an audit committee. The compensation committee, consisting of Messrs. Bock and Janney, reviews and approves the salaries, bonuses and other compensation payable to our executive officers and administers and makes recommendations concerning our employee benefit plans.

The audit committee, consisting of Messrs. Leschly and Oronsky, makes recommendations to our Board of Directors regarding the selection of independent auditors. The audit committee reviews our accounting policies and practices and financial reporting and internal controls, makes recommendations to our Board of Directors regarding the selection of independent auditors to audit our financial statements and confers with the auditors and our officers for purposes of reviewing our financial structure and financial reporting.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee serves as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or compensation committee. There are no family relationships among any of our directors or executive officers.

Executive Compensation

The following table sets information concerning compensation awarded by us during the fiscal year ended December 31, 2002, to our Chief Executive Officer and each of our four most highly compensated executive officers whose total salary, bonus and other compensation exceeded $100,000 during the fiscal year ended December 31, 2002, whom we refer to in this prospectus as named executive officers. In accordance with the rules of the Securities and Exchange Commission, or the SEC, the compensation described in this table does not include perquisites and other personal benefits received by the executive officers named in the table below that do not exceed the lesser of $50,000 or 10% of the total salary and bonus reported for these executive officers.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation	
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options(#)	All Other Compensation
Dino Dina, M.D.(1)	2002	$300,000	$105,000	200,000	$ —
President, Chief Executive Officer	2001	275,000	82,500	—	—
and Director	2000	250,000	50,000	100,000	57,351(1)
William J. Dawson(2)	2002	83,654	33,750	133,333	—
Vice President, Finance &	2001	—	—	—	—
Operations, Chief Financial Officer	2000	—	—	—	—
Gary A. Van Nest, Ph.D.(3)	2002	180,000	54,000	—	—
Vice President, Preclinical Research	2001	165,000	41,250	—	—
	2000	152,250	30,450	40,000	23,314(3)
Robert L. Coffman, Ph.D.(4)	2002	210,000	63,000	—	—
Vice President, Drug Discovery	2001	200,000	60,000	—	—
	2000	17,424	—	83,333	—

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary	Bonus	Securities Underlying Options(#)	
Stephen F. Tuck, Ph.D.(5)	2002	180,000	54,000	—	—
Vice President, Biopharmaceutical	2001	165,000	49,500	—	—
Development	2000	135,000	27,000	40,000	$7,740(5)

(1) The $57,351 of other compensation represents the payment of taxes on Dr. Dina's behalf in connection with stock option exercises.

(2) Mr. Dawson began his employment with us in August 2002.

(3) The $23,314 of other compensation represents the payment of taxes on Dr. Van Nest's behalf in connection with stock option exercises.

(4) Dr. Coffman began his employment with us in November 2000.

(5) The $7,740 of other compensation represents the payment of taxes on Dr. Tuck's behalf in connection with stock option exercises.

Options Granted in Fiscal Year Ended December 31, 2002

The following table sets forth information concerning grants of stock options to each of the executive officers named in the table above during the fiscal year ended December 31, 2002. All of these options were granted under our 1997 Equity Incentive Plan, as amended, at an exercise price equal to the fair value of our common stock at the time of grant, as determined by our Board of Directors. Each option vests over a period of four years and is exercisable immediately. An option that is exercised prior to vesting is subject to a repurchase option in favor of the company in respect of shares that are unvested upon termination of the optionee's employment, at the per share exercise price. The exercise price may in some cases be paid by delivery of other shares or by offset of the shares subject to options. The percentage of total options set forth below is based on options to purchase an aggregate of shares of common stock granted to employees for the fiscal year ended December 31, 2002. Potential realizable values are net of exercise price, but before taxes associated with exercise. Amounts represent hypothetical gains that could be achieved for the options, if exercised, at the end of the option term. The assumed 5% and 10% rates of stock price appreciation are provided in accordance with the rules of the Securities and Exchange Commission and do not represent our estimate or projection of the future common stock price.

Name	Number of Securities Underlying Options	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term	
					5%	10%
Dino Dina, M.D.	200,000	44%	$3.00	3/20/2012	$377,337	$956,245
William J. Dawson	133,333	29%	$1.50	9/24/2012	$125,779	$318,748
Gary A. Van Nest, Ph.D.	—	—	—	—	—	—
Robert L. Coffman, Ph.D.	—	—	—	—	—	—
Stephen F. Tuck, Ph.D.	—	—	—	—	—	—

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Values

The following table sets forth information concerning exercisable and unexercisable stock options held by each of the executive officers named in the summary compensation table at the fiscal year ended December 31, 2002. The value of unexercised in-the-money options is based on the assumed initial public

offering price of $ per share less the per share exercise price, multiplied by the number of shares underlying the options. All options were granted under our 1997 equity incentive plan, as amended.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Dino Dina, M.D.	—	—	200,000(1)	—		—
William J. Dawson	—	—	133,333(2)	—		—
Gary A. Van Nest, Ph.D.	—	—	33,333(3)	—		—
Robert L. Coffman, Ph.D.	—	—	—	—		—
Stephen F. Tuck, Ph.D.	—	—	33,333(4)	—		—

(1) The shares issuable upon exercise of this option are subject to a repurchase option in favor of the company. As of December 31, 2002, the repurchase option had lapsed as to 12,500 shares and was still in effect as to 187,500 shares.

(2) The shares issuable upon exercise of this option are subject to a repurchase option in favor of the company. As of December 31, 2002, the repurchase option was still in effect as to all 133,333 shares.

(3) The shares issuable upon exercise of this option are subject to a repurchase option in favor of the company. As of December 31, 2002, the repurchase option had lapsed as to 18,055 shares and was still in effect as to 15,278 shares.

(4) The shares issuable upon exercise of this option are subject to a repurchase option in favor of the company. As of December 31, 2002 the repurchase option had lapsed as to 18,055 shares and was still in effect as to 15,278 shares.

Management Continuity and Severance Agreements

Between August and October 2003, we entered into management continuity and severance agreements with Dr. Dino Dina, our President and Chief Executive Officer, William J. Dawson, our Vice President and Chief Financial Officer, Robert L. Coffman, Ph.D., our Vice President and Chief Scientific Officer, Dr. Daniel Levitt, M.D., Ph.D., our Vice President and Chief Medical Officer, Stephen F. Tuck, Ph.D., our Vice President of Biopharmaceutical Development and Gary A. Van Nest, Ph.D., our Vice President of Preclinical Research.

Under Dr. Dina's management continuity and severance agreement, if he is terminated without cause or is otherwise terminated involuntarily, he is entitled to a severance payment equal to 12 months salary, paid over 12 months in accordance with our payroll practices, 12 months of paid COBRA continuation coverage and an additional 12 months vesting of his options to purchase our stock. In the event of death or disability, the agreement provides that the exercise period of all vested options will be extended to 12 months from the date of termination due to such death or disability. In addition, under the agreement, we agreed to accelerate the vesting of any stock options held by Dr. Dina by two years as of and upon a change in control of our company if he either accepts a position with the successor company or is not offered an executive position with the successor company. If Mr. Dina is terminated within 24 months following such a change in control he is also entitled to an additional severance payment equal to 12 months of his base salary, paid over 12 months in accordance with our payroll practices, plus target incentive bonus and an additional 12 months of paid COBRA continuation coverage.

Under the other management continuity and severance agreements, if any of the other executive officers are terminated without cause or are otherwise terminated involuntarily, they are entitled to a lump-sum severance payment equal to six months salary, six months of paid COBRA continuation coverage and an additional six months vesting of their option to purchase our stock. In the event of death or disability, the agreements provide that the exercise period of all vested options will be extended to 12 months from the date of termination due to such death or disability. In addition, under the management continuity and severance agreements, we agreed to accelerate the vesting of any stock options held by any executive officer as of and upon a change in control of our company by two years if the executive officer either accepts a position with

the successor company or is not offered an executive position with the successor company. If the executive officer is terminated within 24 months following such a change in control the executive officer is also entitled to an additional lump-sum severance payment equal to 12 months of the executive officer's base salary plus target incentive bonus and an additional 12 months of paid continued COBRA continuation coverage.

Loans to Executive Officers

In September 2000, we entered into loan arrangements with Dino Dina, M.D., Stephen F. Tuck, Ph.D. and Gary A. Van Nest, Ph.D., in connection with their purchase of our common stock, for loans in the amount of $190,463, $11,574 and $18,000, respectively. These loans accrue interest at the rate of 6.22% compounded annually and are due upon the earliest to occur of a sale of the underlying common stock, 90 days following the termination of the executive officer's status as director or employee for any reason other than death or disability, one year following the termination of their status as director or employee due to death or disability and September 15, 2005.

In November 2000, we entered into a loan arrangement with Robert L. Coffman, Ph.D., in connection with his purchase of our common stock, for a loan in the amount of $250,000. This loan accrues interest at the rate of 6.01% compounded annually and is due upon the earliest to occur of a sale of the underlying common stock, 90 days following the termination of his status as an employee for any reason other than death or disability, one year following the termination of his status as employee due to death or disability and November 20, 2005.

Each of these loans is secured by the underlying common stock purchased by the executive officer.

Employee Benefit Plans

1997 Equity Incentive Plan

The 1997 equity incentive plan was approved by our Board of Directors and our shareholders in January 1997. As of October 15, 2003, we have a total of 2,147,876 shares of common stock reserved for issuance under the 1997 plan. As of October 15, 2003, options to purchase 853,949 shares of common stock had been exercised, options to purchase 903,362 shares of common stock were outstanding and 471,181 shares of common stock remained available for grant. As of September 30, 2003, the outstanding options were exercisable at a weighted average exercise price of approximately $2.13 per share. Outstanding options to purchase an aggregate of 157,473 shares were held by employees and consultants who are not officers or directors of our company.

As of the consummation of our initial public offering, the shares underlying awards granted under the 1997 plan that expire without having been exercised or are cancelled, up to a maximum of 900,000 shares, will become available for grant under the 2003 stock incentive plan. Awards under the 1997 plan consist of stock bonuses, restricted stock, incentive stock options, which are stock options that are intended to qualify under Section 422 of the Internal Revenue Code and non-qualified stock options, which are stock options that do not qualify under Section 422 of the Internal Revenue Code.

Under the 1997 plan, the board may grant incentive stock options to employees, including officers and employee directors. Non-qualified stock options, stock bonuses and restricted stock may be granted to employees, directors, and consultants. The Board of Directors or a committee designated by the board administers our 1997 plan, including selecting the persons eligible under our 1997 plan that will be granted awards under our 1997 plan, determining the number of shares to be subject to each award, determining the exercise price, if any, of each award and determining the vesting and exercise periods of each award. The exercise price of all incentive stock options granted under our 1997 plan must be at least equal to the fair value of the common stock on the date of grant. The exercise price of all nonstatutory stock options granted under our 1997 plan shall be determined by the board, but in no event may be less than 85% of the fair value on the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all our classes of stock, the exercise price of any incentive stock option or nonstatutory stock option granted must equal at least 110% of the fair value on the grant date and the maximum term of any

these options must not exceed five years. The maximum term of an incentive stock option or nonstatutory stock option granted to any participant who does not own stock possessing more than 10% of the voting power of all our classes of stock must not exceed ten years. The purchase price of restricted stock issued under our 1997 plan shall be determined by the board, but in no event may be less than 85% of the fair market value on the date of issuance. With respect to any participant who owns stock possessing more than 10% of the voting power of all our classes of stock, the purchase price of restricted stock must equal at least 100% of the fair market value on the date of issuance. The board may grant stock bonuses under our 1997 plan in consideration for past services rendered to the company or for its benefit.

If an optionee's status as an employee, director or consultant terminates for any reason other than death or disability, the optionee may exercise their vested options within the three-month period following the termination, or for such longer period specified in the option agreement. In the event the optionee dies while the optionee is an employee, director or consultant of our company, the options vested as of the date of death may be exercised prior to the earlier of their expiration date or 18 months from the date of the optionee's death, or for such longer period specified in the option agreement. In the event the optionee becomes disabled while the optionee is an employee, director or consultant of our company, the options vested as of the date of disability may be exercised prior to the earlier of their expiration date or 12 months from the date of the optionee's disability, or for such longer period specified in the agreement.

Restricted stock and stock bonuses granted under our 1997 plan may be subject to a repurchase option in our favor upon termination of the holder's status as an employee, director or consultant. With respect to restricted stock or stock bonuses, if the holder's status as an employee, director or consultant terminates for any reason, we may repurchase some or all of the unvested shares of restricted stock or stock bonuses from the holder within ninety days following termination of the holder's employment or relationship as director or consultant, as applicable, or any longer period agreed to by us and the holder of the restricted stock or stock bonus. We may repurchase the unvested shares of restricted stock or stock bonus at a repurchase price equal to the original purchase price paid for the shares of restricted stock or the fair market value of the common stock at the time the stock bonus is granted.

The type and maximum number of shares available under our 1997 plan, as well as the number and type of shares subject to, and per share exercise or purchase price of, outstanding awards under our 1997 plan will be appropriately adjusted in the event of certain corporate transactions affecting us which do not involve the receipt of consideration by the company.

In the event of a corporate transaction where the acquiror assumes or replaces awards granted under the 1997 plan, awards issued under the 1997 plan will not be subject to accelerated vesting unless provided otherwise by agreement with the holder of the award. In the event of a corporate transaction where the acquiror does not assume or replace awards granted under the 1997 plan, outstanding awards will become fully vested and if applicable, exercisable, immediately prior to the consummation of the corporate transaction and will terminate upon consummation of the corporate transaction. However, awards that are assumed will automatically become fully vested and, if applicable, exercisable if the holder of the award is terminated by the acquiror without cause or terminates for good reason within 2 years after a corporate transaction.

Under the 1997 plan, a corporate transaction is defined as:

- a dissolution, liquidation or sale of all or substantially all of the assets of the company;
- a merger or consolidation in which our company is not the surviving entity; or
- a reverse merger in which the company is the surviving corporation but the shares of our common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property.

The 1997 plan will terminate automatically in 2007 unless terminated earlier by our Board of Directors. The Board of Directors has the authority to amend or terminate the 1997 plan, subject to stockholder approval of some amendments. However, no action may be taken which will adversely affect any option previously granted under the 1997 plan, without the optionee's consent.

We intend not to make further grants under our 1997 plan effective upon the closing of this offering.

2003 Stock Incentive Plan

Prior to the completion of this offering, we expect to establish a 2003 stock incentive plan. We expect to have our stockholders approve the plan prior to completion of this offering. We will reserve shares of our common stock for issuance under our 2003 stock incentive plan, subject to adjustment for a stock split, or any future stock dividend or other similar change in our common stock or our capital structure. The number of shares initially reserved under the 2003 stock incentive plan will be increased by any shares (up to a maximum of shares) represented by awards under our 1997 equity incentive plan that are forfeited, expire or are cancelled on or after the effective date of the registration statement relating to this offering. Commencing on the first business day of each calendar year beginning in 2005, during the term of our 2003 stock incentive plan, the number of shares of stock reserved for issuance under the 2003 stock incentive plan (including issuance as incentive stock options) will be increased annually by a number equal to the lesser of (a) % of the total number of shares outstanding as of that date, (b) shares, or (c) a lesser number of shares determined by the board.

Our 2003 stock incentive plan will provide for the grant of stock options, restricted stock, stock appreciation rights, dividend equivalent rights, performance units and performance shares, collectively referred to as "awards." Stock options granted under the 2003 stock incentive plan may be either incentive stock options intended to qualify under the provisions of Section 422 of the Internal Revenue Code, or non-qualified stock options. Incentive stock options may be granted only to employees. Awards other than incentive stock options may be granted to employees, directors and consultants.

The Board of Directors or a committee designated by the board, referred to as the "plan administrator", will administer our 2003 stock incentive plan, including selecting the optionees, determining the number of shares to be subject to each award, determining the exercise or purchase price of each award and determining the vesting and exercise periods of each award.

The exercise price of all incentive stock options granted under our 2003 stock incentive plan must be at least equal to 100% of the fair market value of the common stock on the date of grant. If, however, incentive stock options are granted to an employee who owns stock possessing more than 10% of the voting power of all classes of our stock or the stock of any parent or subsidiary of us, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of these incentive stock options must not exceed five years. The maximum term of an incentive stock option granted to any other participant must not exceed ten years. The plan administrator will determine the term and exercise or purchase price of all other awards granted under our 2003 stock incentive plan.

Under the 2003 stock incentive plan, incentive stock options may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised during the lifetime of the participant only by the participant. Other awards shall be transferable by will or by the laws of descent or distribution and to the extent and in the manner provided in the award agreement to the participant's immediate family. The 2003 stock incentive plan permits the designation of beneficiaries by holders of awards, including incentive stock options.

In the event a participant in our 2003 stock incentive plan terminates employment or is terminated by us without cause, any options that have become exercisable prior to the time of termination will remain exercisable for three months from the date of termination (unless a shorter or longer period of time is determined by the plan administrator upon grant of the option). In the event a participant in our 2003 stock incentive plan is terminated by us for cause, any options which have become exercisable prior to the time of termination will immediately terminate. If termination was caused by death or disability, any options which have become exercisable prior to the time of termination, will remain exercisable for twelve months from the date of termination (unless a shorter or longer period of time is determined by the plan administrator upon grant of the option). In no event may a participant exercise the option after the expiration date of the option.

Awards granted under our 2003 stock incentive plan will automatically become fully vested immediately prior to the consummation of certain corporate events affecting the company if these awards are not assumed or replaced in connection with the corporate event. Awards that are assumed or replaced will not be accelerated. In addition, a grantee's awards then outstanding will automatically become fully vested if the grantee is terminated without cause or terminates employment for good reason within twelve months after certain corporate events affecting the company.

Unless terminated sooner, our 2003 stock incentive plan will automatically terminate in 2013. Our Board of Directors will have authority to amend or terminate our 2003 stock incentive plan. No amendment or termination of the 2003 stock incentive plan shall adversely affect any rights under awards already granted to a participant unless agreed to by the affected participant. To the extent necessary to comply with applicable provisions of federal securities laws, state corporate and securities laws, the Internal Revenue Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to awards granted to residents therein, we shall obtain stockholder approval of any such amendment to the 2003 stock incentive plan in such a manner and to such a degree as required.

2003 Non-Employee Director Option Program

Our 2003 non-employee director stock option program will be adopted as part of the 2003 stock incentive plan and will be subject to the terms and conditions of the 2003 stock incentive plan. Our 2003 non-employee director stock option program was approved by our Board of Directors in October 2003 and our stockholders will approve the 2003 stock incentive plan prior to completion of the offering. The 2003 non-employee director stock option program is a discretionary program under the 2003 stock incentive plan and is not subject to stockholder approval. The 2003 non-employee director stock option program will become effective as of the effective date of this prospectus, and no awards will be made under this program until that time.

The purpose of the 2003 non-employee director stock option program will be to enhance our ability to attract and retain the best available non-employee directors, to provide them additional incentives and, therefore, to promote the success of our business.

The 2003 non-employee director stock option program will establish an automatic option grant program for the grant of awards to non-employee directors. Under this program, each non-employee director first elected or appointed to our Board of Directors following the closing of this offering will automatically be granted an option to acquire shares of our common stock on the date the non-employee director is first elected or appointed to our Board of Directors. The exercise price per share of an option granted under our 2003 non-employee director stock option program will equal the fair market value of our common stock on the date of grant. In addition, upon the date of each annual stockholders' meeting, each non-employee director first elected or appointed to our Board of Directors following the closing of this offering who has been a member of our Board of Directors for at least eleven months prior to the date of the stockholders' meeting will receive an automatic grant of options to acquire shares of our common stock. These options will vest and become exercisable in four equal installments on each anniversary of the grant date. The term of each automatic option grant and the extent to which it will be transferable will be provided in the agreement evidencing the option.

The 2003 non-employee director stock option program will be administered by the board or a committee designated by the board made up of two or more non-employee directors so that such awards would be exempt from Section 16(b) of the Exchange Act, the administrator is referred to as the "program administrator". Subject to the foregoing terms, the program administrator shall determine the terms and conditions of awards, and construe and interpret the terms of the program and awards granted under the program. Non-employee directors may also be granted additional awards under the 2003 stock incentive plan, subject to the discretion of the administrator of our 2003 stock incentive plan.

Unless terminated sooner, the 2003 non-employee director stock option program will terminate automatically in 2013 when the 2003 stock incentive plan terminates. Our Board of Directors will have the authority to amend, suspend or terminate the 2003 non-employee director stock option program. No

amendment or termination of the 2003 non-employee director stock option program shall adversely affect any rights under options already granted to a non-employee director unless agreed to by the affected non-employee director. Under current law, stockholder approval is not required for any amendment of the 2003 non-employee director stock option program.

2003 Employee Stock Purchase Plan

Prior to the completion of this offering, we expect to establish our 2003 employee stock purchase plan. We expect to have our stockholders approve our 2003 employee stock purchase plan prior to the completion of this offering. Our 2003 employee stock purchase plan will be intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code. Our 2003 employee stock purchase plan will provide our employees with an opportunity to purchase common stock through payroll deductions. An aggregate of shares of common stock will be reserved for issuance and will be available for purchase under our 2003 employee stock purchase plan, subject to adjustment for a stock split, or any future stock dividend or other similar change in our common stock or our capital structure. Commencing on the first business day of each calendar year beginning in 2005 during the term of our 2003 employee stock purchase plan, the number of shares of stock reserved for issuance under the 2003 employee stock purchase plan will be increased annually by a number equal to the lesser of (a) 1% of the total number of shares outstanding as of that date, (b) 5,000 shares, or (c) a lesser number of shares determined by the board.

The Board of Directors or a committee designated by the board, referred to as the "plan administrator", will administer our 2003 employee stock purchase plan. All of our employees whose customary employment is for more than five months in any calendar year and more than 20 hours per week will be eligible to participate in an offer period under our 2003 employee stock purchase plan and will be automatically enrolled in the initial offer period. Employees hired after the consummation of our initial public offering who meet the foregoing requirement will be eligible to participate in an offer period under our 2003 employee stock purchase plan, subject to a 5 day waiting period after hiring. Non-employee directors, consultants, and employees subject to the rules or laws of a foreign jurisdiction that prohibit or make impractical their participation in an employee stock purchase plan will not be eligible to participate in our 2003 employee stock purchase plan.

Our 2003 employee stock purchase plan will designate offer periods, purchase periods and exercise dates. Offer periods will generally be overlapping periods of 24 months. The initial offer period will begin on the effective date of our 2003 employee stock purchase plan, which is the effective date of the registration statement relating to this offering, and will end on February 14, 2006. Additional offer periods will commence each February 15 and August 15. Purchase periods will generally be six-month periods within an offer period, with the initial purchase period commencing on the effective date of the registration statement relating to this offering and ending on August 15, 2004. Thereafter, purchase periods will commence each February 15 and August 15. Exercise dates are the last day of each purchase period. In the event we merge with or into another corporation, sell all or substantially all of our assets, or enter into other transactions in which all of our stockholders before the transaction own less than 40% of the total combined voting power of our outstanding securities following the transaction, the plan administrator may elect to shorten the offer periods then in progress.

On the first day of each offer period, a participating employee will be granted a purchase right. A purchase right is a form of option to be automatically exercised on the exercise dates within the offer period, during which offer period authorized deductions are to be made from the pay of participants and credited to their accounts under our 2003 employee stock purchase plan. When the purchase right is exercised, the participant's withheld salary is used to purchase shares of common stock. Participants in the initial offer period will be eligible to purchase shares during the first purchase period through direct payment rather than payroll deductions. The price per share at which shares of common stock are to be purchased under our 2003 employee stock purchase plan during any purchase period is the lesser of:

- 85% of the fair market value of the common stock on the date of the grant of the option, which is the commencement of the offer period; or

• 85% of the fair market value of the common stock on the exercise date, which is the last day of a purchase period.

The participant's purchase right is exercised in this manner on each exercise date arising in the offer period. If, on the first day of any purchase period, the fair market value of the common stock is lower than the fair market value of the common stock on the first day of the offer period underlying the purchase period, the original offer period will be terminated, and the participant in the original offer period will be automatically enrolled in a new offer period effective the same date.

Payroll deductions may range from 1% to 10% in whole percentage increments of a participant's regular base pay, exclusive of bonuses, overtime, shift-premiums, commissions, reimbursements or other expense allowances. Except for the first purchase period of the initial offer period, participants may not make direct cash payments to their accounts. The maximum number of shares of common stock that any employee may purchase under our 2003 employee stock purchase plan during a purchase period is shares. The Internal Revenue Code imposes additional limitations on the amount of common stock that may be purchased during any calendar year.

Unless terminated sooner, the 2003 employee stock purchase plan will terminate automatically in 2013. The plan administrator will have authority to amend or terminate our 2003 employee stock purchase plan. The plan administrator may terminate any offer period on any exercise date or establish a new exercise date with respect to any offer period then in progress if the plan administrator determines that the termination of the offer period is in the best interests of the Company and its stockholders. To the extent necessary to comply with applicable provisions of federal securities laws, state corporate and securities laws, the Internal Revenue Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to awards granted to residents therein, we shall obtain stockholder approval of any such amendment to the 2003 employee stock purchase plan in such a manner and to such a degree as required.

401(k) Plan

In September 1997, we implemented a 401(k) plan covering some of our employees eligible to participate in the 401(k) plan. Under the 401(k) plan, eligible employees may elect to reduce their current compensation up to the prescribed annual limit under the Internal Revenue Code, which is $12,000 in 2003, and contribute these amounts to the 401(k) plan. We may make contributions to the 401(k) plan on behalf of eligible employees. Employees are fully vested in their contributions and contributions we may make under the 401(k) plan immediately. The 401(k) plan is intended to qualify under Section 401 of the Internal Revenue Code so that contributions by employees or by us to the 401(k) plan, and income earned on the 401(k) plan contributions, are not taxable to employees until withdrawn from the 401(k) plan, and so that contributions by us, if any, will be deductible by us when made. The trustee under the 401(k) plan, at the direction of each participant, invests the 401(k) plan employee salary deferrals from among selected investment options. We have not made any matching contributions to the 401(k) plan through December 31, 2002; however, we may make matching contributions to the 401(k) plan in the future. We retain the right to amend or terminate the 401(k) plan at any time.

Limitation of Liability and Indemnification Matters

We reincorporated in Delaware in 2001. Our certificate of incorporation and bylaws provides that we will indemnify all of our directors and officers to the fullest extent permitted by Delaware law. Our certificate of incorporation and bylaws also authorize us to indemnify our employees and other agents, to the fullest extent permitted by Delaware law. We intend to enter into agreements to indemnify our directors and officers, in addition to indemnification provided for in our charter documents. These agreements, among other things, will provide for the indemnification of our directors and officers for expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any person in any action or proceeding, including any action by or in the right of our company, arising out of that person's services as a director or officer of our company or any other company or enterprise to which that person provides services at our request to the

fullest extent permitted by applicable law. We believe that these provisions and agreements will assist us in attracting and retaining qualified persons to serve as directors and officers. Delaware law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law for liability arising under Section 174 of the Delaware General Corporation Law, or for any transaction from which the director derived an improper personal benefit. Our certificate of incorporation will provide for the elimination of personal liability of a director for breach of fiduciary duty, as permitted by Delaware law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of our company in accordance with the provisions contained in our charter documents, Delaware law or otherwise, we have been advised that in the opinion of the SEC this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of our company in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act, and we will follow the court's determination. We intend to purchase and maintain insurance on behalf of our officers and directors, insuring them against liabilities that they may incur in such capacities or arising out of this status.

RELATED PARTY TRANSACTIONS

Private Placement Transactions

Series A. In December 1996, we issued and sold an aggregate of 6,700,000 shares of our Series A Preferred Stock at $1.00 per share to 10 investors, including 2,000,000 shares to Sanderling Venture Partners IV, L.P. and its affiliates, 2,000,000 shares to InterWest Partners V, L.P. and its affiliate and 2,000,000 shares to Alta California Partners, L.P. and its affiliate. These shares of Series A Preferred Stock will convert into 2,233,333 shares of common stock upon the closing of this offering.

Series B. In July 1998, we issued and sold an aggregate of 9,032,786 shares of our Series B Preferred Stock at $1.83 per share to 16 investors, including 2,185,792 shares to Bank of America Ventures and its affiliate, 1,366,120 shares to InterWest Partners V, L.P. and its affiliate, 1,366,120 shares to Alta California Partners, L.P. and its affiliate and 1,366,120 shares to Sanderling Venture Partners IV, L.P. and its affiliates. These shares of Series B Preferred Stock will convert into 3,010,928 shares of common stock upon the closing of this offering.

Series C. Between June and October 2000, we issued and sold an aggregate of 5,668,750 shares of our Series C Preferred Stock at $4.00 per share to 42 investors, including 250,000 shares to Alta California Partners, L.P. and its affiliate, 250,000 shares to InterWest Partners V, L.P. and its affiliate, 250,000 shares to Sanderling Venture Partners IV, L.P. and its affiliates and 187,500 shares to Bank of America Ventures and its affiliate. These shares of Series C Preferred Stock will convert into 2,381,683 shares of common stock upon the closing of this offering.

Series D. Between March 2002 and July 2002, we issued and sold an aggregate of 16,882,220 shares of our Series D Preferred Stock at $2.06 per share to 46 investors, including 2,669,903 shares to CC Dynavax Holdings, L.P. and its affiliate, 1,747,573 shares to Sanderling Venture Partners IV, L.P. and its affiliates, 1,456,311 shares to Bank of America Ventures and its affiliate, 485,437 shares to Alta California Partners, L.P. and its affiliate and 485,437 to InterWest Partners V, L.P. and its affiliate. We issued a warrant for the purchase of 253,233 shares of Series D Preferred Stock at $2.06 per share to an affiliate of Bank of America Ventures for services it performed in connection with the Series D Preferred Stock offering. These shares of

Series D Preferred Stock will convert into 5,627,406 shares of common stock upon the closing of this offering.

Dynavax Asia. In October 2003, our subsidiary Dynavax Asia Pte. Ltd. sold 15,200,000 ordinary shares at $1.00 per share to 8 investors, including 3,000,000 shares to Care Capital Investments II, L.P., an affiliate of CC Dynavax Holdings, L.P. and 2,000,000 shares to Sanderling Venture Partners IV, L.P. and its affiliates. All of these ordinary shares will be exchanged for 2,111,111 shares of our common stock upon the closing of this offering.

In connection with the closing of this offering, all outstanding shares of our preferred stock will automatically convert into shares of common stock.

Transactions with Directors, Executive Officers and Affiliates

In December 1998, we entered into a research agreement with the Regents of the University of California, on behalf of the University of California, San Diego, under which we agreed to fund a research project aimed at uncovering novel applications for ISS. This research agreement was amended twice in December 1999 and once in 2003. We agreed to fund the project in the amounts of approximately $912,000 in 1999, $948,000 in 2000, $986,000 in 2001, $1,026,000 in 2002, $711,000 in 2003 and $355,000 in 2004. The principal investigator of the research project is Dr. Eyal Raz, a holder of 468,452 shares of our common stock. The university-nominated representative on the evaluation committee created to oversee aspects of this agreement is Dr. Dennis Carson, a holder of 468,452 shares of our common stock and a member of our Board of Directors.

We have entered into agreements with holders of our preferred stock whereby we granted them registration rights with respect to their shares of common stock, including common stock issuable upon conversion of their preferred stock.

We intend to enter into indemnification agreements with each of our directors and officers. These indemnification agreements will require us to indemnify these individuals to the fullest extent permitted by Delaware law.

All of the transactions set forth above were made at arms-length. We intend that all future transactions between us and our officers, directors, principal stockholders and their affiliates will be approved by a majority of our Board of Directors, including a majority of the independent and disinterested outside directors on our Board of Directors, and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of September 30, 2003 and as adjusted to reflect the sale of common stock being offered in this offering, by:

- each person or entity known by us to own beneficially more than 5% of our common stock;
- each of our directors and executive officers; and
- all of our directors and executive officers as a group.

The percentage of beneficial ownership before the offering is calculated based on 17,673,756 shares of our common stock issued and outstanding as of September 30, 2003, assuming the exchange of 15,200,000 ordinary shares of our subsidiary, Dynavax Asia Pte. Ltd., issued in October, 2003, into 2,111,111 shares of our common stock upon the completion of this offering and conversion of all outstanding shares of preferred stock into common stock upon the completion of this offering and treating as outstanding all options, if any, held by that stockholder and, in accordance with the rules of the SEC, exercisable as of November 29, 2003, which is 60 days after September 30, 2003. The percentage of beneficial ownership after completion of this offering includes the shares sold in the offering and is based on shares of common stock issued and outstanding after completion of this offering.

Information with respect to beneficial ownership has been furnished by each director, officer or 5% or more stockholder. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them. Except as otherwise noted, the address for such person or entity is c/o Dynavax Technologies Corporation, 717 Potter Street, Ste. 100, Berkeley, California 94710-2722.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% Stockholders			
Sanderling Ventures(1) 400 S. El Camino Real Suite 1200 San Mateo, CA 94402	2,083,779	11.79%	
Forward Ventures IV, L.P.(2) 9393 Towne Centre Drive, Suite 200 San Diego, CA 92121	1,509,883	8.54%	
Alta California Partners, L.P.(3) One Embarcadero Center, Suite 4050 San Francisco, CA 94111	1,388,887	7.86%	
InterWest Partners V, L.P.(4) 2710 Sand Hill Road 2nd Floor Menlo Park, CA 94025-7112	1,388,887	7.86%	
Bank of America Ventures(5) 950 Tower Lane, Suite 700 Foster City, CA 94404	1,377,221	7.76%	
CC Dynavax Holdings, L.P.(6) 47 Hulfish Street, Suite 310 Princeton, NJ 08542	1,306,633	7.39%	

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
Executive Officers and Directors			
Daniel S. Janney(7)	1,388,887	7.86%	
Arnold L. Oronsky Ph.D.(8)	1,380,207	7.81%	
Louis C. Bock(9)	193,921	1.10%	
Jan Leschly(10)	1,306,633	7.39%	
Dennis Carson M.D.	468,452	2.65%	
Dino Dina, M.D.(11)	348,768	1.97%	
Robert L. Coffman, Ph.D.(12)	97,222	*	
Gary A. Van Nest, Ph.D.(13)	76,111	*	
Stephen F. Tuck, Ph.D.(14)	69,444	*	
William J. Dawson(15)	41,666	*	
Daniel Levitt, M.D., Ph.D.	0	*	
All executive officers and directors as a group (11 persons)(16)	5,371,311	30.12%	

* Less than 1%.

(1) Represents 518,229 shares held by Sanderling Venture Partners IV, L.P., 202,175 shares held by Sanderling IV Limited Partnership, 57,496 shares held by Sanderling (Feri Trust) Venture Partners IV, L.P., 201,743 shares held by Sanderling IV Biomedical, L.P., 213,660 shares held by Sanderling IV Biomedical Co-Investment Fund, L.P., 366,112 shares held by Sanderling Venture Partners IV Co-Investment Fund, L.P., 166 shares held by Sanderling IV Ventures Management, 3,595 shares held by Sanderling Ventures Management IV FBO Fred Middleton, 58,618 shares held by Sanderling V Beteiligungs GmbH & Co. KG, 244,242 shares held by Sanderling V Biomedical Co-Investment Fund, L.P., 65,877 shares held by Sanderling V Limited Partnership, 7,794 shares held by Sanderling V Ventures Management, 491 shares held by Sanderling Venture Management IV, 143,581 shares held by Sanderling Venture Partners V Co-Investment Fund, L.P.

(2) Represents 895,000 shares held by Forward Ventures IV, L.P., 426,408 shares held by Forward Ventures III Institutional Partners, L.P., 112,602 shares held by Forward Ventures III, L.P., and 75,873 shares held by Forward Ventures IV B, L.P.

(3) Represents 1,356,392 shares held by Alta California Partners, L.P. and 32,495 shares held by Alta Embarcadero Partners, LLC.

(4) Represents 1,380,207 shares held by InterWest Partners V, L.P. and 8,680 shares held by InterWest Investors V.

(5) Represents 1,098,889 shares held by Bank of America Ventures and 193,921 shares held by BA Venture Partners IV. Also includes a warrant to purchase 84,411 shares held by Banc of America Securities, LLC.

(6) Represents 647,249 shares held by CC Dynavax Holdings, L.P. 242,718 shares held by CC/ Q Partners, L.P. and 416,666 shares held by Care Capital Investments II, L.P.

(7) Represents shares held by Alta California Partners, L.P. and its affiliate. Mr. Janney is a vice president of Alta Partners and is a managing director and member of various funds affiliated with Alta Partners. Mr. Janney disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(8) Represents shares held by InterWest Partners V, L.P. Dr. Oronsky is a general partner of the general partner of InterWest Partners V, L.P. Dr. Oronsky disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(9) Represents shares held by BA Venture Partners IV, of which Mr. Bock is a partner. Mr. Bock disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(10) Includes shares held by CC Dynavax Holdings, L.P. and its affiliates, of which Mr. Leschly is a Partner.

(11) Includes 8,333 shares of common stock subject to repurchase by us as of September 30, 2003. Also includes 303,214 shares held by the Dino Dina 1999 Revocable Trust, of which Dr. Dina is trustee, 3,333 shares held by the Stefania Dina Irrevocable Trust, created by Declaration of Trust dated March 2, 2000, of which Dr. Dina is trustee, 3,333 shares held by the Francesco Dina Irrevocable Trust, created by Declaration of Trust dated March 2, 2000, of which Dr. Dina is trustee and 8,333 shares held by the Jordan Moncharmont Irrevocable Trust, created by Declaration of Trust dated March 2, 2000, of which Dr. Dina is trustee, and options to purchase 30,555 shares of common stock exercisable within 60 days of September 30, 2003.

(12) Includes 24,305 shares of common stock subject to repurchase by us as of September 30, 2003 and options to purchase 13,888 shares of common stock exercisable within 60 days of September 30, 2003.

(13) Includes options to purchase 36,111 shares of common stock exercisable within 60 days of September 30, 2003.

(14) Includes options to purchase 36,111 shares of common stock exercisable within 60 days of September 30, 2003.

(15) Includes options to purchase 41,666 shares of common stock exercisable within 60 days of September 30, 2003.

(16) Includes 32,638 shares of common stock subject to repurchase by us as of September 30, 2003 and options to purchase 158,332 shares of common stock exercisable within 60 days of September 30, 2003.

DESCRIPTION OF CAPITAL STOCK

Upon the closing of this offering, our authorized capital stock will consist of shares of common stock, $0.001 par value per share, and shares of preferred stock, $0.001 par value share.

The following is a summary of the rights of our common stock and preferred stock. This summary is not complete. For more detailed information, please see our certificate of incorporation which is filed as an exhibit to the registration statement of which this prospectus is a part.

Common Stock

The holders of our common stock are entitled to one vote for each share held of record upon such matters and in such manner as may be provided by law. Subject to preferences applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared by our Board of Directors out of funds legally available for dividend payments. In the event we liquidate, dissolve or wind up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and liquidation preferences of any outstanding shares of the preferred stock. Holders of common stock have no preemptive rights or rights to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

Preferred Stock

Upon the closing of this offering, all outstanding shares of our preferred stock will convert into an aggregate of 13,712,128 shares of common stock. Following the closing of this offering, we will be authorized to issue shares of preferred stock that will not be designated as a particular class. Our Board of Directors will have the authority to issue the undesignated preferred stock in one or more series and to determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or

imposed upon any wholly unissued series of undesignated preferred stock and to fix the number of shares constituting any series and the designation of the series, without any further vote or action by our stockholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

Registration Rights

Under the terms of agreements with some of our stockholders, after the closing of this offering, a number of holders of shares of our common stock will be entitled to registration rights with respect to their shares. Beginning 180 days after the date of this prospectus, a number of holders may require us to register all or part of their shares. In addition, some holders may require us to include their shares in future registration statements that we file and may require us to register their shares on Form S-3 or similar form. Furthermore, beginning 180 days after the date of this prospectus, some holders of our common stock may also require us to include their shares in future registration statements that we file. Upon effectiveness of those future registration statements, shares covered by those registration statements will be freely tradable in the public market without restriction.

All expenses in effecting these registrations, with the exception of underwriting discounts and selling commissions, will be borne by us. These registration rights are subject to conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration. We have agreed to indemnify the holders of these registration rights, and each selling holder has agreed to indemnify us, against liabilities under the Securities Act, the Securities Exchange Act or other applicable federal or state law.

Warrants

In July 2002, we issued a warrant to purchase an aggregate of 253,233 shares of our Series D preferred stock at an exercise price of $2.06 per share. If this warrant is not exercised prior to this offering, it will convert into a warrant exercisable for 84,411 shares of our common stock at an adjusted exercise price of $6.18 per share upon the closing of this offering.

Anti-Takeover Provisions

Provisions of Delaware law and our certificate of incorporation and bylaws could make our acquisition by means of a tender offer, a proxy contest or otherwise, and the removal of incumbent officers and directors more difficult. These provisions are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweighs the disadvantages of discouraging proposals, including proposals that are priced above the then current market value of our common stock, because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years, did own, 15% or more of the corporation’s voting stock. The statute could have the effect of delaying, deferring or preventing a change of control.

Certificate of Incorporation and Bylaws

Our certificate of incorporation and bylaws will contain provisions that could have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control of our company.

Our certificate of incorporation and bylaws will provide that our Board of Directors will be divided into three classes of directors, as nearly equal in number as is reasonably possible, serving staggered terms so that directors' initial terms will expire at the first, second and third succeeding annual meeting of the stockholders following our initial public offering, respectively. At each such succeeding annual meeting, directors elected to succeed those directors whose terms are expiring at the meeting shall be elected for a three-year term of office. A vote of at least % of our capital stock would be required to amend this provision.

Our certificate of incorporation and bylaws will provide that special meetings of the stockholders may be called only by our president, our secretary or at the direction of the board. Advance written notice is required, which generally must be received by the secretary not less than 30 days nor more than 60 days prior to the meeting, by a stockholder of a proposal or director nomination that the stockholder desires to present at a meeting of stockholders. Any amendment of this provision would require a vote of at least % of our capital stock. Our charter documents also provide that our stockholders will not be permitted to act by written consent.

Our certificate of incorporation and bylaws will not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may have the effect of limiting the ability of minority stockholders to effect changes in the board and, as a result, may have the effect of deterring a hostile takeover or delaying or preventing changes in control or management of our company.

Our certificate of incorporation and bylaws will provide that vacancies on our board may be filled by a majority of directors in office, although less than a quorum, and not by the stockholders. Our certificate of incorporation and bylaws will allow us to issue up to shares of undesignated preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, this issuance could have the effect of decreasing the market price of the common stock, as well as having the anti-takeover effect discussed above.

These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by them, and to discourage certain types of transactions that may involve an actual or threatened change in control of our company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discouraging certain tactics that may be used in proxy fights. However, these provisions could have the effect of discouraging others from making tender offers for our shares that could result from actual or rumored takeover attempts. These provisions also may have the effect of preventing changes in our management.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computer Share Trust Company. Its address is 12039 W. Alameda Parkway, Suite Z-2. Lakewood, CO, 80228 and its telephone number is (310) 986-5400.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Market sales of shares or the availability of shares for sale may decrease the market price of our common stock prevailing from time to time. As described below, only a portion of our outstanding shares of common stock will be available for sale shortly after this offering due to contractual and legal restrictions to resale. Nevertheless, sales of substantial amounts of common stock in the public market after these restrictions lapse, or the perception that such sales could occur, could adversely affect the market price of the common stock and could impair our future ability to raise capital through the sale of our equity securities.

Future sales of our common stock and the availability of our common stock for sale may depress the market price for our common stock. Upon completion of this offering, shares of common stock will be outstanding. All of the shares sold in this offering will be freely tradable. Except as set forth below, the remaining shares of common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements. These remaining shares will be available for sale in the public market roughly as follows:

Date of Availability of Sale	Approximate Number of Shares
As of the date of this prospectus	
180 days after the date of this prospectus (although a portion of such shares will be subject to certain volume limitations pursuant to Rule 144)	

Rule 144

In general, under Rule 144 under the Securities Act of 1933, as currently in effect, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. shares of our common stock will qualify as “144(k)” shares within 180 days of the date of this prospectus.

Rule 701

Rule 701, as currently in effect, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under “Underwriting” and will become eligible for sale at the expiration of those agreements.

Lock-Up Agreements

Each of our executive officers, directors and holders of a substantial majority of our outstanding capital stock have agreed, subject to specified exceptions, that without the prior written consent of Bear, Stearns & Co. Inc., they will not, directly or indirectly, sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any shares of our capital stock or capital stock of our subsidiaries, or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire such capital stock for a period of 180 days from the date of this prospectus. Bear, Stearns & Co. Inc. may, in its sole discretion, permit early release of shares subject to the lock-up agreements. In considering any request to release shares subject to a lock-up agreement, Bear, Stearns & Co. Inc. will consider the possible impact of the release of the shares on the trading price of the stock sold in the offering.

Registration Rights

Upon completion of this offering, the holders of approximately shares of our common stock, including shares issuable upon the exercise of a warrant (based on an assumed initial public offering price of $ per share), or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of their shares under the Securities Act would result in the shares becoming freely tradeable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of the registration of those shares. See "Description of Capital Stock — Registration Rights."

Stock Options

Immediately after this offering, we intend to file with the Securities and Exchange Commission registration statements under the Securities Act covering the shares of common stock reserved for issuance under our stock option plans and employee stock purchase plan. The registration statements are expected to become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under these registration statements will, subject to Rule 144 volume limitations applicable to affiliates, be available for sale in the open market, beginning 180 days after the date of this prospectus.

UNDERWRITING

Subject to the terms and conditions described in an underwriting agreement between us and Bear, Stearns & Co. Inc., Deutsche Bank Securities Inc. and U.S. Bancorp Piper Jaffray Inc., as representatives, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of common stock listed opposite their names below.

Underwriter	Number of Shares
Bear, Stearns & Co. Inc.	
Deutsche Bank Securities Inc.	
U.S. Bancorp Piper Jaffray Inc.	
Total	

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of the shares are purchased. The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have granted the underwriters an option exercisable for 30 days from the date of the underwriting agreement to purchase a total of up to additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option solely to cover any over-allotments, if any, made in connection with this offering. To the extent the underwriters exercise this option in whole or in part, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares approximately proportionate to that underwriter's initial commitment amount reflected in the above table.

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to Dynavax Technologies Corporation	$	$	$

The expenses of the offering, excluding the underwriting discount and commissions and related fees, are estimated at $ million.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters have reserved for sale, at the initial public offering price, up to shares of common stock for our officers and directors, officers and employees of the manager and their families, and other persons associated with us who express an interest in purchasing these shares of common stock in this offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase reserved shares. Any reserved shares not purchased by these persons will be

offered by the underwriters to the general public on the same terms as the other shares offered in this offering.

We, each of our officers and directors and holders of substantially all of our common stock (including any securities convertible into or exchangeable or exercisable for or repayable with common stock) have agreed, with certain limited exceptions, not to sell or transfer any of our securities for 180 days after the date of the final prospectus without first obtaining the written consent of Bear, Stearns & Co. Inc. Specifically, we and these other individuals have agreed not to directly or indirectly:

- offer, sell or contract to offer or sell any common stock, any other equity security of Dynavax Technologies Corporation or any of our subsidiaries, and any security convertible into, or exercisable or exchangeable for, any common stock or other such equity security;
- solicit offers to purchase any such securities;
- grant any call option with respect to any such securities;
- purchase any put option with respect to any such securities;
- pledge, borrow or otherwise dispose of any such securities;
- establish or increase any "put equivalent position" with respect to any such securities;
- liquidate or decrease any "call equivalent position" with respect to any such securities; or
- enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequences of ownership of any of such securities, whether such transaction is to be settled by delivery of such securities, other securities, cash or other consideration.

The lockup provisions do not prevent a security holder from transferring such securities by bona fide gift or by will or intestate succession to his or her immediate family or to a trust, the sole beneficiary of which is one or more of the security holder and his or her immediate family. Furthermore, if the security holder is a partnership or limited liability company, pro rata distributions may be made to its partners or members, respectively. Bear, Stearns & Co. Inc. may waive this lockup without public notice. This lockup provision does not limit our ability to grant options to purchase common stock under our stock option plans.

We have applied for quotation on the Nasdaq National Market under the symbol "DVAX."

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters of this offering, or by their affiliates. The underwriters may allocate a number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than any prospectus made available in electronic format as described above, the information on any web site containing the prospectus is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in such capacity and should not be relied on by prospectus investors.

In connection with the offering, some participants in the offering may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make "naked" short sales or shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common

stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from an underwriter or syndicate member when the underwriters repurchase shares originally sold by that underwriter or syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transaction on the New York Stock Exchange or otherwise. If the underwriter commence any of these transactions, they may discontinue them at any time.

In connection with this offering, the underwriters may engage in passive market making transactions in our common stock on the Nasdaq National Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be our future prospects and those of our industry in general, our financial operating information in recent periods, and market prices of securities and financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

In October 2003, we sold 300,000 shares of ordinary stock of our subsidiary, Dynavax Asia Pte. Ltd., to an entity associated with U.S. Bancorp Piper Jaffray Inc. in a private financing.

LEGAL MATTERS

Morrison & Foerster LLP will pass upon the validity of the common stock offered by this prospectus for us. Latham & Watkins LLP will pass upon certain legal matters in connection with this offering for the underwriters. Attorneys employed by Morrison & Foerster LLP or investment partnerships of which they are the beneficial owners hold approximately 7,113 shares of our common stock.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements at December 31, 2001 and 2002 and for the years then ended as set forth in their report. We have included our consolidated financial statements in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

The financial statements for the one-year period ended December 31, 2000 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the shares of common stock offered under this prospectus. This prospectus does not contain all of the information in the registration statement and the exhibits. For further information with respect to us and our common stock, we refer you to the registration statement and to the exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of the document at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Upon completion of this offering, we will be subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and we will file reports, proxy statements and other information with the SEC. We also intend to furnish our stockholders with annual reports containing our financial statements audited by an independent public accounting firm and quarterly reports containing our unaudited financial information.

DYNAVAX TECHNOLOGIES CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Stockholders

Dynavax Technologies Corporation

We have audited the accompanying consolidated balance sheets of Dynavax Technologies Corporation as of December 31, 2001 and 2002, and the related consolidated statements of operations, convertible preferred stock and stockholders' equity (net capital deficiency), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dynavax Technologies Corporation at December 31, 2001 and 2002, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Palo Alto, California

February 28, 2003,
except for Note 13, as to which the date is
October 21, 2003.

The foregoing report is in the form that will be signed upon the consummation of the reverse stock split described in Note 13 to the consolidated financial statements.

/s/ ERNST & YOUNG LLP

Palo Alto, California

October 21, 2003

REPORT OF PRICEWATERHOUSECOOPERS LLP, INDEPENDENT AUDITORS

To the Board of Directors and Shareholders

of Dynavax Technologies Corporation:

The stock split described in Note 13 to the consolidated financial statements has not been consummated at October 23, 2003. When it has been consummated, we will be in a position to furnish the following report:

"In our opinion, the accompanying statements of operations, of stockholders' net capital deficiency and of cash flows for the year ended December 31, 2000 present fairly, in all material respects, the results of operations and cash flows of Dynavax Technologies Corporation for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion."

/s/ PricewaterhouseCoopers LLP

San Jose, California

July 20, 2001 except as to the second paragraph of Note 13
which is as of October 23, 2003

DYNAVAX TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	December 31,		September 30,	Pro Forma Stockholders' Equity at
	2001	2002	2003	September 30, 2003
			(unaudited)	
Assets				
Current assets:				
Cash and cash equivalents	$ 4,347	$ 5,171	$ 4,834	
Marketable securities	7,410	24,239	12,724	
Accounts receivable	1,402	—	24	
Prepaid expenses and other current assets	394	717	583	
Total current assets	13,553	30,127	18,165	
Property and equipment, net	1,510	1,300	958	
Other assets	54	51	18	
Total assets	$ 15,117	$ 31,478	$ 19,141	
Liabilities, convertible preferred stock and stockholders' equity (net capital deficiency)				
Current liabilities:				
Accounts payable	$ 445	$ 1,396	$ 484	
Accrued liabilities	2,506	2,068	2,314	
Deferred revenue	1,089	750	750	
Current portion of equipment financing	15	—	—	
Total current liabilities	4,055	4,214	3,548	
Commitments and contingencies				
Mandatorily redeemable convertible preferred stock: no par value; 21,402 shares authorized; 21,402 shares issued and outstanding at December 31, 2001	45,479	—	—	$ —
Convertible preferred stock: $0.001 par value; 22,732 shares authorized at December 31, 2001 and 40,732 shares authorized at December 31, 2002 and September 30, 2003 (unaudited); 1,230 shares issued and outstanding at December 31, 2001 and 39,514 shares issued and outstanding at December 31, 2002 and September 30, 2003 (unaudited) (liquidation value of $86,682 at December 31, 2002 and September 30, 2003 (unaudited)); no shares outstanding pro forma (unaudited)	5,799	83,635	83,635	—
Stockholders' equity (net capital deficiency):				
Common stock: $0.001 par value; 17,667 shares authorized; 1,902, 1,849 and 1,851 shares issued and outstanding at December 31, 2001, 2002, and September 30, 2003 (unaudited), respectively; 17,674 shares outstanding pro forma (unaudited)	2	2	2	18
Additional paid-in capital	9,811	8,423	10,608	94,227
Deferred stock compensation	(5,267)	(2,120)	(3,178)	(3,178)
Notes receivable from stockholders	(804)	(714)	(656)	(656)
Accumulated other comprehensive income	17	51	7	7
Accumulated deficit	(43,975)	(62,013)	(74,825)	(74,825)
Total stockholders' equity (net capital deficiency)	(40,216)	(56,371)	(68,042)	$ 15,593
Total liabilities, convertible preferred stock and stockholders' equity (net capital deficiency)	$ 15,117	$ 31,478	$ 19,141	

See accompanying notes.

DYNAVAX TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Years ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
				(unaudited)	
Collaboration and other revenue	$ 2,054	$ 2,359	$ 1,427	$ 1,356	$ 119
Operating expenses:					
Research and development (including stock-based compensation expense of $492, $1,007, $953, $734, and $790 for the years ended December 31, 2000, 2001, 2002, and the nine months ended September 30, 2002 and 2003 (unaudited), respectively)	8,267	17,363	15,965	12,050	10,050
General and administrative (including stock-based compensation expense of $699, $1,049, $868, $744, and $360 for the years ended December 31, 2000, 2001, 2002, and the nine months ended September 30, 2002 and 2003 (unaudited), respectively)	3,451	4,527	4,121	3,094	3,210
Total operating expenses	11,718	21,890	20,086	15,144	13,260
Loss from operations	(9,664)	(19,531)	(18,659)	(13,788)	(13,141)
Interest income, net	1,149	1,119	621	463	329
Net loss	(8,515)	(18,412)	(18,038)	(13,325)	(12,812)
Deemed dividend upon issuance of convertible preferred stock	(18,209)	—	—	—	—
Net loss attributable to common stockholders	$(26,724)	$(18,412)	$(18,038)	$(13,325)	$(12,812)
Basic and diluted net loss per share attributable to common stockholders	$ (20.86)	$ (11.96)	$ (10.60)	$ (7.94)	$ (7.21)
Shares used to compute basic and diluted net loss per share attributable to common stockholders	1,281	1,539	1,701	1,678	1,778
Pro forma basic and diluted net loss per share attributable to common stockholders (unaudited)			$ (1.28)		$ (0.83)
Shares used to compute pro forma basic and diluted net loss per share attributable to common stockholders (unaudited)			14,063		15,390

See accompanying notes.

DYNAVAX TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)

(in thousands, except per share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Stock Compensation	Notes Receivable From Stockholders	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity (Net Capital Deficiency)
	Shares	Amount	Shares	Par Amount						
Balances at December 31, 1999	15,933	$24,079	1,211	$ 1	$ 273	$ (49)	$ —	$ 3	$(17,048)	$(16,820)
Issuance of Series R convertible preferred stock at $4.65, net of issuance costs of $85	430	1,915	—	—	—	—	—	—	—	—
Issuance of Series S-1 preferred stock of $5.00 per share, net of issuance costs of $51	200	$ 949	—	—	—	—	—	—	—	—
Issuance of Series T convertible preferred stock at $5.00, net of issuance costs of $21	400	1,979	—	—	—	—	—	—	—	—
Issuance of Series C convertible preferred stock at $4.00, net of issuance costs of $313	5,669	22,363	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of options at $0.30 to $3.00 per share for cash and notes receivable from stockholders	—	—	650	1	726	—	(686)	—	—	41
Beneficial conversion feature related to issuance of Series C mandatorily redeemable convertible preferred stock	—	—	—	—	18,209	—	—	—	—	18,209
Deemed dividend related to issuance of Series C mandatorily redeemable convertible preferred stock	—	—	—	—	(18,209)	—	—	—	—	(18,209)
Common shares repurchased	—	—	(1)	—	(1)	—	—	—	—	(1)
Deferred stock compensation	—	—	—	—	9,080	(9,080)	—	—	—	—
Amortization of deferred stock compensation	—	—	—	—	—	1,191	—	—	—	1,191
Issuance of common stock for services in connection with issuance of preferred stock	—	—	11	—	275	—	—	—	—	275
Comprehensive loss:										
Change in unrealized gain on marketable securities	—	—	—	—	—	—	—	31	—	31
Net loss	—	—	—	—	—	—	—	—	(8,515)	(8,515)
Comprehensive loss										(8,484)
Balances at December 31, 2000	22,632	51,285	1,871	2	10,353	(7,938)	(686)	34	(25,563)	(23,798)
Series C convertible preferred stock issuance costs	—	(7)	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of options at $3.00 to $12.00 per share for cash and notes receivable	—	—	35	—	78	—	(75)	—	—	3
Interest accrued on notes receivable from stockholders	—	—	—	—	—	—	(43)	—	—	(43)
Common stock repurchased	—	—	(4)	—	(5)	—	—	—	—	(5)
Deferred stock compensation	—	—	—	—	(615)	615	—	—	—	—
Amortization of deferred stock compensation	—	—	—	—	—	2,056	—	—	—	2,056
Comprehensive loss:										

Change in unrealized gain on marketable securities	—	—	—	—	—	—	—	(17)	—	(17)
Net loss	—	—	—	—	—	—	—	—	(18,412)	(18,412)
Comprehensive loss										(18,429)
Balances at December 31, 2001 (carried forward)	22,632	$51,278	1,902	$ 2	$ 9,811	$(5,267)	$(804)	$ 17	$(43,975)	$(40,216)

See accompanying notes.

DYNAVAX TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (NET CAPITAL DEFICIENCY) (CONTINUED)

(in thousands, except per share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Stock Compensation	Notes Receivable From Stockholders	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity (Net Capital Deficiency)
	Shares	Par Amount	Shares	Par Amount						
Balances at December 31, 2001 (brought forward)	22,632	$51,278	1,902	$ 2	$ 9,811	$(5,267)	$(804)	$ 17	$(43,975)	$(40,216)
Issuance of Series D convertible preferred stock at $2.06, net of cash issuance costs of $2,420 and non-cash issuance costs of $322	16,882	32,357	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of options at $0.30 to $12.00 per share for cash	—	—	4	—	3	—	—	—	—	3
Interest accrued on notes receivable from stockholders	—	—	—	—	—	—	(46)	—	—	(46)
Repayment of notes receivable from stockholders	—	—	—	—	—	—	136	—	—	136
Common stock repurchased	—	—	(57)	—	(65)	—	—	—	—	(65)
Deferred stock compensation	—	—	—	—	(1,326)	1,326	—	—	—	—
Amortization of deferred stock compensation	—	—	—	—	—	1,821	—	—	—	1,821
Comprehensive loss:										
Change in unrealized gain on marketable securities	—	—	—	—	—	—	—	34	—	34
Net loss	—	—	—	—	—	—	—	—	(18,038)	(18,038)
Comprehensive loss										(18,004)
Balances at December 31, 2002	39,514	83,635	1,849	2	8,423	(2,120)	(714)	51	(62,013)	(56,371)
Issuance of common stock upon exercise of options at $0.30 to $3.00 per share for cash (unaudited)	—	—	20	—	21	—	—	—	—	21
Interest accrued on notes receivable from stockholders (unaudited)	—	—	—	—	—	—	(30)	—	—	(30)
Repayment of notes receivable from stockholders (unaudited)	—	—	—	—	—	—	88	—	—	88
Common shares repurchased (unaudited)	—	—	(18)	—	(44)	—	—	—	—	(44)
Deferred stock compensation, net of reversals (unaudited)	—	—	—	—	2,208	(2,208)	—	—	—	—
Amortization of deferred stock compensation (unaudited)	—	—	—	—	—	1,150	—	—	—	1,150
Comprehensive loss:										
Change in unrealized gain on marketable securities (unaudited)	—	—	—	—	—	—	—	(44)	—	(44)
Net loss (unaudited)	—	—	—	—	—	—	—	—	(12,812)	(12,812)
Comprehensive loss (unaudited)										(12,856)
Balances at September 30, 2003 (unaudited)	39,514	$83,635	1,851	$ 2	$10,608	$(3,178)	$(656)	$ 7	$(74,825)	$(68,042)

See accompanying notes.

DYNAVAX TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
				(unaudited)	
Operating activities					
Net loss	$ (8,515)	$(18,412)	$(18,038)	$(13,325)	$(12,812)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	313	475	678	507	453
Employee loan forgiveness	8	—	—	—	—
Stock-based compensation expense	1,191	2,056	1,821	1,478	1,150
Changes in operating assets and liabilities:					
Accounts receivable	(500)	(902)	1,402	1,402	(24)
Prepaid expenses and other current assets	(1,023)	980	(323)	(149)	134
Other assets	2	(33)	3	3	33
Accounts payable	204	(403)	951	170	(912)
Accrued liabilities	751	1,464	(438)	(475)	246
Deferred revenue	(1,054)	1,043	(339)	(268)	—
Net cash used in operating activities	(8,623)	(13,732)	(14,283)	(10,657)	(11,732)
Investing activities					
Purchases of marketable securities	(26,163)	(8,346)	(28,425)	(14,121)	(6,531)
Maturities and sale of marketable securities	4,750	24,105	11,630	10,130	18,000
Purchases of property and equipment	(455)	(1,082)	(468)	(346)	(111)
Net cash provided by (used in) investing activities	(21,868)	14,677	(17,263)	(4,337)	11,358
Financing activities					
Proceeds from issuance of preferred stock, net of issuance costs	27,481	(7)	32,357	32,344	—
Proceeds from issuance of common stock, net of repurchases	40	(45)	28	(26)	37
Repayments of equipment financing	(161)	(152)	(15)	(15)	—
Net cash provided by (used in) financing activities	27,360	(204)	32,370	32,303	37
Net increase (decrease) in cash and cash equivalents	(3,131)	741	824	17,309	(337)
Cash and cash equivalents at beginning of period	6,737	3,606	4,347	4,347	5,171
Cash and cash equivalents at end of period	$ 3,606	$ 4,347	$ 5,171	$ 21,656	$ 4,834
Supplemental disclosure of cash flow information					
Interest paid	$ 36	$ 12	$ —	$ —	$ —
Supplemental disclosure of noncash investing and financing activities					
Issuance of common stock for services	$ 275	$ —	$ —	$ —	$ —
Issuance of common stock for notes receivable	$ 686	$ 75	$ —	$ —	$ —
Repurchase of common stock	$ —	$ —	$ 65	$ 16	$ 42
Deemed dividend upon issuance of convertible preferred stock	$ 18,209	$ —	$ —	$ —	$ —

See accompanying notes.

1. Company

Dynavax Technologies Corporation ("Dynavax" or the "Company") was incorporated on August 29, 1996, in California. The Company reincorporated on March 22, 2001, in Delaware. Dynavax is a biopharmaceutical company developing innovative products for treating and preventing allergy, inflammation-mediated diseases, infectious diseases, and cancer.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Dynavax and its wholly owned Singapore subsidiary, Dynavax Asia Pte. Ltd. ("Dynavax Asia"). All significant intercompany accounts and transactions have been eliminated. The Company operates in one business segment, the development of biopharmaceutical products.

Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Unaudited Interim Consolidated Results

The accompanying consolidated balance sheet as of September 30, 2003, the consolidated statements of operations and cash flows for the nine months ended September 30, 2002 and 2003 and the consolidated statement of convertible preferred stock and stockholders' equity (net capital deficiency) for the nine months ended September 30, 2003 are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's consolidated financial position as of September 30, 2003 and consolidated results of operations and cash flows for the nine months ended September 30, 2002 and 2003. The consolidated financial data and other information disclosed in these notes to consolidated financial statements as of September 30, 2003 and related to the nine-month periods ended September 30, 2002 and 2003 are unaudited. The consolidated results for the nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the year ending December 31, 2003 or for any other interim period or for any other future year.

Pro Forma Stockholders' Equity

In October 2003, the Board of Directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission permitting the Company to sell shares of its common stock to the public. If the initial public offering is completed under the terms presently anticipated, all of the convertible preferred stock outstanding at the time of the offering will automatically convert into 13,612,026 shares of common stock. Unaudited pro forma stockholders' equity, as adjusted for the assumed conversion of the preferred stock, is set forth on the accompanying balance sheets.

Foreign Currency

The functional currency of Dynavax Asia is the local currency. Accordingly, the assets and liabilities of Dynavax Asia are translated into U.S. dollars using the exchange rate in effect at the end of the period. Revenues and expenses are translated using the average exchange rates for the period. Adjustments resulting from currency translations are included in comprehensive income (loss). Gains and losses resulting from currency transactions are recognized in current operations. Planned operations in Singapore have not yet commenced and as such, no foreign currency transaction or translation gains or losses have been recorded for the periods presented.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, marketable securities, accounts receivable, accounts payable, and accrued liabilities, approximate fair value due to their short maturities.

Marketable Securities

The Company classifies all short-term investments as available-for-sale in accordance with Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available-for-sale securities are carried at market value, with unrealized gains and losses included in accumulated other comprehensive income in stockholders' equity (net capital deficiency). Realized gains and losses are included in interest income. The cost of securities sold is based on the specific identification method. The Company's marketable securities consist primarily of corporate bonds that mature at various dates through 2003. The amounts of net unrealized gains (losses) were approximately $17,000 and $51,000 at December 31, 2001 and 2002, respectively, and approximately $7,000 at September 30, 2003 (unaudited).

Concentration of Credit Risk and Other Risks and Uncertainties

The Company's financial instruments that are subject to concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, and marketable securities. The Company's policy is to invest its cash and cash equivalents and marketable securities with high credit quality financial institutions in order to limit the amount of credit exposure. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Trade accounts receivable are recorded at invoice value. The Company reviews its exposure to accounts receivable and to date has not experienced any losses.

The following table summarizes the revenues and accounts receivable balances from customers in excess of 10% of the total revenues and total accounts receivable balances, respectively:

Significant Customers	Revenues				
	Years ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
					(unaudited)
A	51%	2%	69%	68%	—
B	49%	88%	13%	14%	—
C	—	—	18%	18%	—

Significant Customers	Accounts Receivable		
	December 31,		September 30,
	2001	2002	2003
			(unaudited)
A	71%	—	—
B	22%	—	—
C	7%	—	—

The Company's future products will require approval from the Food and Drug Administration and may require approval from certain international regulatory agencies before commercial sales can commence. There can be no assurance that the Company's products will receive any of these required approvals. If the Company were denied such approvals or such approvals were delayed, it would have a material adverse impact on the Company's consolidated financial position and results of operations.

The Company relies on a single contract manufacturer to produce material for certain of its clinical trials. While the Company has identified several additional manufacturers with whom it could contract for the manufacture of material, the Company has not entered into agreements with them and loss of its current supplier could delay development or commercialization of the Company's product candidates. To date, the Company has manufactured only small quantities of material for research purposes.

The Company is subject to risks common to companies in the biopharmaceutical industry, including, but not limited to, new technological innovations, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, product liability, and the need to obtain additional financing.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, three years for computer equipment and five years for laboratory equipment and furniture. Leasehold improvements are amortized using the straight-line method over the remaining life of the initial lease term or the estimated useful lives of the assets, typically five years, whichever is shorter. Repair and maintenance costs are charged to expense as incurred.

Impairment of Long-Lived Assets

The Company identifies and records impairment losses on long-lived assets when events and circumstances indicate that the assets may be impaired. Recoverability is measured by comparison of the assets' carrying amounts to the future net undiscounted cash flows the assets are expected to generate. If these assets are considered impaired, the impairment recognized is measured by the amount by which the carrying value of the assets exceed the projected discounted future net cash flows associated with the assets. None of

these events or circumstances has occurred with respect to the Company's long-lived assets, which consist primarily of computers and equipment, furniture and fixtures, and leasehold improvements.

Revenue Recognition

The Company recognizes collaboration revenue based on the terms specified in the agreements, generally as the related services are performed or approximating the straight-line basis over the period of the research and development collaboration. Collaboration payments are generally made based on the number of full-time equivalent researchers assigned to the collaboration project and the related research and development expenses incurred. Any amounts received in advance of performance are recorded as deferred revenue. Upfront payments are deferred and amortized over the estimated research and development period. Payments related to substantive performance milestones that are at risk at the initiation of an agreement are recognized upon successful achievement of a performance milestone event.

Revenues related to government grants are recognized as the related research expenses are incurred. Any amounts received in advance of performance are recorded as deferred revenue until earned.

Option payments are deferred when received. When an option is exercised, revenue is recognized on a straight-line basis over the remaining term of the resulting agreement. In the event that an option expires without exercise, the payment is recognized in full at the expiration of the agreement.

Research and Development Costs

Research and development costs are expensed as incurred and include costs associated with research performed pursuant to collaboration agreements. Research and development costs consist of direct and indirect internal costs related to specific projects, as well as fees paid to clinical research organizations, research institutions and other service providers, which conduct certain research activities on behalf of the Company. Expenses related to clinical trials are generally accrued based on the level of patient enrollment and activity according to the protocol. The Company monitors patient enrollment level and related activity to the extent possible and adjusts estimates accordingly.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets may not be realized.

Stock-Based Compensation Expense

The Company has adopted the pro forma disclosure requirements of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123") as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* ("SFAS 148"). As permitted, the Company continues to recognize employee stock-based compensation expense under the intrinsic value method of accounting as prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25") and its interpretations. Under APB 25, compensation expense is based on the difference, if any, on the date of grant between the deemed fair value

of the Company's common stock and the option exercise price, and is amortized over the related vesting period of the options using the straight-line method. The pro forma effects of applying SFAS 123, as amended by SFAS 148, on the Company's net loss had compensation cost for options granted to employees been determined based on the fair value based method prescribed by SFAS 123, would be as follows (in thousands, except per share amounts):

	Years ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
				(unaudited)	
Net loss attributable to common stockholders:					
As reported	$(26,724)	$(18,412)	$(18,038)	$(13,325)	$(12,812)
Add:					
Stock-based employee compensation expense included in net loss	897	2,056	1,821	1,478	1,150
Less:					
Stock-based employee compensation expense determined under the fair value based method	(1,212)	(2,171)	(2,013)	(1,612)	(1,376)
Pro forma	$(27,039)	$(18,527)	$(18,230)	$(13,459)	$(13,038)
Net loss per share attributable to common stockholders:					
Basic and diluted, as reported	$ (20.86)	$ (11.96)	$ (10.60)	$ (7.94)	$ (7.21)
Basic and diluted, pro forma	$ (21.11)	$ (12.04)	$ (10.72)	$ (8.02)	$ (7.34)

Such pro forma disclosure may not be representative of future stock-based compensation expense because such options vest over several years and additional grants may be made each year.

The deemed fair value of each option grant to employees is estimated on the date of grant using the Black-Scholes option pricing method with the following weighted average assumptions:

	Years ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
				(unaudited)	
Expected dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	6.1% to 6.3%	3.5% to 4.3%	1.3% to 2.4%	1.3% to 2.4%	1.1% to 2.6%
Expected life (in years)	4	4	4	4	4
Volatility	0.7	0.7	0.7	0.7	0.7

The weighted-average fair value per share of employee stock options granted during the years ended December 31, 2000, 2001, 2002, and the nine month periods ended September 30, 2002 and 2003 (unaudited), was $18.33, $1.95, $1.32, $1.33 and $7.03, respectively.

The Company accounts for stock options issued to nonemployees in accordance with the provisions of SFAS 123 and Emerging Issues Task Force ("EITF") No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services* ("EITF 96-18").

Stock-based compensation expense for options granted to consultants is periodically remeasured as the underlying options vest in accordance with EITF 96-18.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive income (loss), which includes certain changes in equity that are excluded from net income (loss). The Company includes unrealized holding gains and losses on marketable securities and foreign currency translation adjustments in accumulated other comprehensive income (loss).

Recent Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board (the "FASB") issued the FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"), which clarifies the requirements for a guarantor's accounting and disclosures of certain guarantees issued and outstanding. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at its inception of guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Company's consolidated results of operations or financial position.

In November 2002, the EITF issued EITF Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* ("EITF 00-21"). EITF 00-21 addresses how to account for arrangements that may involve delivery or performance of multiple products, services, and/or rights to use assets, and when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. It does not change otherwise applicable revenue recognition criteria. It applies to arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The adoption of EITF 00-21 did not have a material impact on the Company's consolidated results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity* ("SFAS 150"). SFAS 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and otherwise is effective the beginning of the first interim period after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's consolidated results of operations or financial position.

3. Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for potential common shares. Diluted net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period and dilutive potential common shares using the treasury-stock method. For purposes of this calculation, common stock subject to repurchase by the Company, preferred stock, options, and warrants are

considered to be potential common shares and are only included in the calculation of diluted net loss per share attributable to common stockholders when their effect is dilutive.

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders calculations assume the conversion of all outstanding shares of preferred stock into shares of common stock upon completion of the initial public offering using the as-if-converted method as of January 1, 2002 or the date of issuance, if later.

	Years ended December 31,			Nine months ended September 30,	
	2000	2001	2002	2002	2003
				(unaudited)	
Historical (in thousands, except per share amounts)					
Numerator:					
Net loss attributable to common stockholders	$(26,724)	$(18,412)	$(18,038)	$(13,325)	$(12,812)
Denominator:					
Weighted-average common shares outstanding	1,395	1,889	1,886	1,892	1,844
Less: Weighted-average unvested common shares subject to repurchase	(114)	(350)	(185)	(214)	(66)
Denominator for basic and diluted net loss per share attributable to common stockholders	1,281	1,539	1,701	1,678	1,778
Basic and diluted net loss per share attributable to common stockholders	$ (20.86)	$ (11.96)	$ (10.60)	$ (7.94)	$ (7.21)
Pro forma (in thousands, except per share amounts) (unaudited)					
Pro forma net loss attributable to common stockholders			$(18,038)		$(12,812)
Pro forma basic and diluted net loss per share attributable to common stockholders			$ (1.28)		$ (0.83)
Shares used above:			1,701		1,778
Pro forma adjustments to reflect assumed weighted-average effect of conversion of preferred stock			12,362		13,612
Shares used to compute pro forma basic and diluted net loss per share attributable to common stockholders			14,063		15,390
Historical outstanding dilutive securities not included in diluted net loss per share attributable to common stockholders calculation (in thousands):					
Preferred stock	7,544	7,544	13,612	13,612	13,612
Options to purchase common stock	169	279	691	698	912
Warrants	6	6	90	90	84
	7,719	7,829	14,393	14,400	14,608

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,		September 30,
	2001	2002	2003
			(unaudited)
Laboratory equipment	$ 1,588	$ 1,837	$ 1,937
Computer and equipment	450	571	360
Furniture and fixtures	322	354	575
Leasehold improvements	287	321	322
	2,647	3,083	3,194
Less accumulated depreciation and amortization	(1,137)	(1,783)	(2,236)
	$ 1,510	$ 1,300	$ 958

Depreciation and amortization expense on property and equipment was approximately $313,000, $475,000, and $678,000 for the years ended December 31, 2000, 2001, and 2002, respectively, and approximately $507,000 and $453,000 for the nine months ended September 30, 2002 and 2003 (unaudited), respectively.

5. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31,		September 30,
	2001	2002	2003
			(unaudited)
Payroll and related expenses	$ 659	$ 712	$ 617
Legal expenses	432	179	337
Third party scientific research expense	1,325	1,091	1,236
Other accrued liabilities	90	86	124
	$2,506	$2,068	$2,314

6. Equipment Financing

In September 1997, the Company entered into a master financing agreement, which provides for borrowings for equipment purchased; amounts borrowed are collateralized by the related equipment.

During 1998, the Company borrowed $55,000 and $107,000 under the master financing agreement. These notes were repaid in 48 monthly installments of $1,000 and $3,000, respectively. These notes bore interest at approximately 14% per annum and required a final payment equal to 5% of the original principal amounts, resulting in an effective interest rate of 15%. These notes matured at various dates from September 1, 2000, to April 1, 2002.

7. Commitments and Contingencies

The Company leases its facilities under two noncancelable operating leases that expire on March 31, 2004, and May 31, 2008. Rent expense for the years ended December 31, 2000, 2001, and 2002, was approximately $386,000, $500,000, and $551,000, respectively, and approximately $414,000 and $471,000 for the nine months ended September 30, 2002 and 2003 (unaudited), respectively.

Future minimum payments under the noncancelable operating leases at December 31, 2002, are as follows (in thousands):

Year ending December 31,	
2003	$ 631
2004	513
2005	454
2006	454
2007 and thereafter	643
	$2,695

Guarantees and Indemnifications

The Company, as permitted under Delaware law and in accordance with its bylaws, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer insurance policy that limits its exposure and may enable it to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2002 and September 30, 2003 (unaudited).

The Company enters into indemnification provisions under its agreements with other companies in its ordinary course of business, typically with business partners, contractors, clinical sites and customers. Under these provisions, the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2002 and September 30, 2003 (unaudited).

8. Stockholders' Equity (Net Capital Deficiency)

Convertible Preferred Stock

The Company has authorized 40,731,644 shares of convertible preferred stock, designated in various series. The convertible preferred stock defined as Series A, Series B, Series C, Series D, Series S-1, Series R,

and Series T (collectively referred to as "Preferred Stock") are summarized as follows (in thousands, except per share amounts):

	Shares Designated	Minimum Liquidation Preference Per Share	Shares Issued and Outstanding at December 31, 2001	Shares Issued and Outstanding at December 31, 2002	Shares Issued and Outstanding at September 30, 2003	Aggregate Liquidation Value at December 31, 2002 and September 30, 2003
					(unaudited)	(unaudited)
Series A	6,700	$1.00	6,700	6,700	6,700	$ 6,700
Series B	9,033	$1.83	9,033	9,033	9,033	16,530
Series S-1	500	$5.00	400	400	400	2,000
Series R	430	$4.65	430	430	430	2,000
Series T	400	$5.00	400	400	400	2,000
Series C	5,669	$4.00	5,669	5,669	5,669	22,675
Series D	18,000	$2.06	–	16,882	16,882	34,777
	40,732		22,632	39,514	39,514	$86,682

During the period from June to October 2000, the Company issued 5,668,750 shares of Series C Preferred Stock for gross proceeds of $22,675,000. In connection with a proposed initial public offering in 2000, the Company reflected a deemed dividend of approximately $18,209,000. The deemed preferred stock dividend was reflected in the 2000 statement of operations based on the difference between the estimated fair value of the common stock and the conversion price of the preferred stock at the commitment date. There was no impact on total stockholders' equity (net capital deficiency). The deemed preferred stock dividend increases the net loss applicable to common stockholders for the year ended December 31, 2000.

In March and April 2002, the Company issued a total of 16,882,220 shares of Series D Preferred Stock for gross proceeds of $34,777,372. In connection with the issuance of the Series D Preferred Stock, the Company incurred issuance costs of approximately $2,742,000, of which approximately $123,000 was settled by the issuance of 59,671 shares of Series D Preferred Stock and of which approximately $322,000 was settled by the issuance of warrants to purchase 253,233 shares of Series D Preferred Stock.

Voting

The holders of Preferred Stock have various rights and preferences as follows:

Each share of Series A, Series B, Series C, Series D, Series S-1, Series R, and Series T Preferred Stock has voting rights equal to the number of shares of common stock into which it is convertible and votes together as one class with the common stock, except as otherwise discussed below.

As long as any shares of Preferred Stock remain outstanding, with the exception of Series A Preferred Stock (in which case at least 500,000 shares of Series A Preferred Stock must remain outstanding), the Company must obtain a vote from at least 75%, 77%, and 66 2/3% of the holders of Series A, Series B, and Series C Preferred Stock voting as a single class, respectively, in order to alter the certificate of incorporation or the bylaws, as they relate to the Preferred Stock, changes in the authorized number of shares of Preferred Stock, or to create or issue new shares or series of Preferred Stock. Additionally, as long as any shares of Series D Preferred Stock remain outstanding, the Company must obtain a vote from at least 51% of the holders of Series D Preferred Stock voting as a single class in order to alter the Certificate of Incorporation, as

they relate to the Preferred Stock, changes in the authorized number of shares of Preferred Stock, or to create or issue new shares or series of Preferred Stock, increase the size of the Board of Directors to a number of members in excess of nine, the payment of dividends or making other distributions of the Company's capital stock, a liquidation or winding down of the Company and the Company's entering into strategic alliances involving the issuance of capital stock over $20,000,000.

The vote of a majority of the holders of the Series A, Series B, Series C, Series D, Series S-1, Series R, and Series T Preferred Stock is required to issue any shares of common stock, any redemption, repurchase, dividend, or other distribution with respect to common stock, any asset transfer, or acquisition, and any redemption, repurchase, dividend, or other distribution with respect to the Preferred Stock. The vote of a majority of the stockholders of Series A, Series B, Series C, and Series D Preferred Stock is required to increase or decrease the authorized number of shares of common stock or Preferred Stock and to increase or decrease the size of the Board of Directors or to voluntarily dissolve or liquidate the Company.

Holders of Series A, Series B, Series S-1, Series R, Series T, Series C, and Series D Preferred Stock are entitled to receive noncumulative dividends at the rate of 8% of the original issue price per annum, when and if declared by the Board of Directors. To date, the Company has not declared any dividends.

Liquidation

In the event of any liquidation, dissolution, or winding up of the Company, including a merger, acquisition, or sale of assets where the holders of the Company's common stock and Preferred Stock own less than 51% of the resulting voting power of the surviving entity, the holders of the Series D Preferred Stock will receive, in preference to all other holders of equity securities, an amount per share equal to 2.0 times the original purchase price of $2.06 per share plus any accrued but unpaid dividends if such event occurs thereafter. After payment of the liquidation preference to the holders of Series D Preferred Stock, the holders of all other Preferred Stock are entitled to receive, prior and in preference to the holders of common stock, an amount equal to the original issue price ($1.00, $1.83, $4.00, $5.00, $4.65, and $5.00 for Series A, Series B, Series C, Series S-1, Series R, and Series T Preferred Stock, respectively) plus any accrued but unpaid dividends. After payment of the liquidation preference to holders of all series of Preferred Stock, the remaining assets of the Company are available for distribution on a pro rata weighted basis to the holders of common stock and holders of Series A, Series B and Series D Preferred Stock, on an as converted basis. To the extent that holders of Series A, Series B and Series D have received an aggregate of $3.00, $5.50 and $2.06 per share, respectively, any remaining assets will be additionally available for distribution solely to the holders of common stock.

Conversion

Each share of Series A, Series B, Series C, Series D, Series S-1, Series R, and Series T Preferred Stock is convertible into shares of the Company's common stock, at the option of the holder, according to a defined conversion ratio, which is subject to adjustment for dilution.

Each share of Series A, Series B, Series C, Series D, Series S-1, Series R, and Series T Preferred Stock automatically converts at a rate of one share of common stock for three shares of Preferred Stock, adjusted for stock splits and certain other transactions, either i) at the affirmative election of the holders of at least 66 2/3% of the outstanding shares of Preferred Stock voting as a single class (except for Series C and Series D, which each shall convert on a vote of at least 66 2/3% of the outstanding shares of the respective series), or ii) at the closing of a public offering of common stock in which the price per share is equal to or greater than $12.36 per share and gross proceeds to the Company are at least $30 million. In addition, in the event of a sale of common stock, as defined per the amended and restated articles of incorporation, below the conversion price of Series A, Series B, Series C, Series D, and Series R Preferred Stock, such preferred stock conversion price shall be subject to adjustment. At December 31, 2002 and September 30, 2003 (unaudited),

the outstanding shares of Series C Preferred Stock were convertible into an additional 400,492 shares of common stock and Series R Preferred Stock were convertible into an additional 40,246 shares of common stock as a result of such adjustment. None of the shares convertible into shares of common stock had been converted as of those dates.

Redemption Rights

Neither the Company nor the holders of the Preferred Stock have the right to call or redeem or cause to have called or redeemed any shares of Preferred Stock.

Reserved Shares

The Company had reserved shares of common stock for future issuance as follows:

	December 31, 2002	September 30, 2003 (unaudited)
Stock option plan	713,988	1,045,375
Conversion of preferred stock	13,612,026	13,612,026
Preferred stock warrants	84,411	84,411
	14,410,425	14,741,812

Warrant for Preferred Stock

In connection with the closing of the Series D Preferred Stock financing, the Company issued a warrant to purchase 253,233 shares of Series D Preferred Stock at an exercise price of $2.06 per share, to its lead underwriter. The estimated fair value of the warrant was valued using the Black-Scholes option pricing model at approximately $322,000. The warrant is exercisable from the date of grant for five years. At December 31, 2002 and September 30, 2003 (unaudited), the warrant remained outstanding.

Warrant for Common Stock

In connection with the master financing agreement (see Note 6), during 1997 the Company granted the lender a warrant to purchase 6,000 shares of common stock at an exercise price of $3.75 per share, subject to adjustments upon the occurrence of certain events such as a merger of the Company, stock split, stock dividends and other distributions, and other antidilution events. The estimated fair value of the warrant was not significant. This warrant was exercisable from the date of the grant through the earlier of (i) six years after the date of grant or (ii) the completion of an initial public offering of the Company's common stock with net proceeds of at least $10 million. At December 31, 2002, this warrant remained outstanding. This warrant was not outstanding as of September 30, 2003 as it had expired unexercised.

Stock Option Plan

In January 1997, the Company adopted the 1997 Equity Incentive Plan (the "1997 Plan"). The 1997 Plan provides for the granting of stock options to employees and nonemployees of the Company. Options granted under the 1997 Plan may be either incentive stock options ("ISOs") or nonqualified stock options ("NSOs"). ISOs may be granted to Company employees (including officers and directors who are also employees). NSOs may be granted to employees and nonemployees.

Options under the 1997 Plan may be granted for periods of up to ten years and at prices no less than 85% of the estimated fair value of the shares on the date of grant as determined by the Board of Directors, provided, however, that (i) the exercise price of an ISO shall not be less than 100% of the estimated fair

value of the shares on the date of grant, and (ii) the exercise price of an ISO granted to a 10% stockholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. The options are exercisable immediately and generally vest over a four-year period (generally 25% after one year and in monthly ratable increments thereafter) for stock options issued to employees, officers, directors, and scientific advisors, and quarterly vesting over a four-year period or immediate vesting for stock options issued to all other nonemployees. All unvested shares issued under the 1997 Plan are subject to repurchase rights held by the Company under such conditions as agreed to by the Company and the optionee.

Activity under the 1997 Plan is set forth below:

		Options Outstanding	
	Shares Available for Grant	Number of Shares	Weighted-Average Price Per Share
Balance at December 31, 1999	299,975	373,801	$0.48
Options authorized	333,333	—	—
Options granted	(506,583)	506,583	$1.86
Options exercised	—	(650,192)	$1.11
Options canceled	61,047	(61,047)	$0.69
Shares repurchased	1,067	—	$0.60
Balance at December 31, 2000	188,839	169,145	$2.07
Options authorized	333,333	—	—
Options granted	(164,800)	164,800	$3.81
Options exercised	—	(35,121)	$2.22
Options canceled	19,880	(19,880)	$2.25
Shares repurchased	4,136	—	$1.05
Balance at December 31, 2001	381,388	278,944	$3.06
Options granted	(458,933)	458,933	$2.16
Options exercised	—	(3,820)	$0.84
Options canceled	42,850	(42,850)	$3.00
Shares repurchased	57,476	—	$1.14
Balance at December 31, 2002	22,781	691,207	$2.48
Options authorized (unaudited)	333,333	—	—
Options granted (unaudited)	(364,500)	364,500	$1.50
Options exercised (unaudited)	—	(19,882)	$1.03
Options canceled (unaudited)	124,130	(124,130)	$2.40
Shares repurchased (unaudited)	17,936	—	$2.37
Balance at September 30, 2003 (unaudited)	133,680	911,695	$2.13

The following summarizes options outstanding and exercisable under the 1997 Plan as of December 31, 2002:

Exercise Price	Number Outstanding	Average Remaining Contractual Life
		(In years)
$0.30	8,997	4.5
$0.60	10,618	6.0
$1.20	23,692	7.2
$1.50	250,533	9.7
$3.00	385,367	8.7
$12.00	12,000	8.3
	691,207	8.9

The following summarizes options outstanding and exercisable under the 1997 Plan as of September 30, 2003 (unaudited):

Exercise Price	Number Outstanding	Average Remaining Contractual Life
		(In years)
$0.60	10,618	5.2
$1.20	21,640	6.4
$1.50	553,703	9.3
$3.00	314,401	8.1
$12.00	11,333	7.5
	911,695	8.7

Deferred Stock Compensation

During the year ended December 31, 2000, the Company recorded deferred stock compensation for the excess of the deemed fair value of its common stock over the option exercise price at the date of grant of $8,810,000 related to options granted to employees. During the years ended December 31, 2001 and 2002, the Company recorded reversals of deferred stock compensation resulting from employee terminations of approximately $(615,000) and $(1,326,000), respectively. During the nine months ended September 30, 2002 and 2003, the Company recorded similar reversals of deferred stock compensation of approximately $(331,000) and $(111,000), respectively (unaudited). Stock-based compensation expense is being recognized over the option vesting period of four years using the straight-line method.

During the period ended September 30, 2003, the Company recorded additional deferred stock compensation for the excess of the deemed fair value of its common stock over the option exercise price at the date of grant of approximately $2,426,000 related to options granted to employees. During the nine months ended September 30, 2003, the Company recorded reversals of this deferred stock compensation from employee terminations of approximately $(107,000). Stock-based compensation expense is being recognized over the option vesting period of four years using the straight-line method.

For options granted to nonemployees, the Company determined the estimated fair value of the options using the Black-Scholes option pricing model. Compensation expense is generally being recognized over the

option vesting period. For the years ended December 31, 2000 and 2001, the Company recorded stock-based compensation expense (reversal) of approximately $294,000 and $(12,000), respectively, in connection with options granted to nonemployees. No stock-based compensation expense was recorded for the year ended December 31, 2002 and the nine months ended September 30, 2002 and 2003 (unaudited).

9. Employee Benefit Plan

Effective September 1997, the Company adopted the Dynavax Technologies Corporation 401(k) Plan (the "401(k) Plan"), which qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating employees may defer a portion of their pretax earnings. The Company may, at its discretion, contribute for the benefit of eligible employees. To date, the Company has not contributed to the 401(k) Plan.

10. Related-Party Transactions

From September 2000 through June 2001, the Company loaned $752,000 to certain employees and officers for the exercise of incentive stock options. These are full recourse notes, which accrue interest within a range of 5.02% to 6.22% and are due on September 2000 through June 2006. The shares of common stock held by the employees also collateralize these notes. At December 31, 2001 and 2002, $804,000 and $714,000, respectively, remained outstanding. At September 30, 2003, approximately $656,000 (unaudited) remained outstanding.

In December 1998, the Company entered into a research agreement with the Regents of the University of California, or UC, on behalf of the University of California, San Diego, under which the Company agreed to fund a research project aimed at uncovering novel applications for ISS (See Note 11). The principal investigator of the research project is Dr. Eyal Raz, a holder of 468,452 shares of our common stock, and the university-nominated representative on the evaluation committee created to oversee aspects of this agreement is Dr. Dennis Carson, a holder of 468,452 shares of our common stock and a member of our Board of Directors.

The Company entered into agreements with holders of its preferred stock whereby it granted them registration rights with respect to their shares of common stock, including common stock issuable upon conversion of their preferred stock.

11. Collaborative Research, Development, and License Agreements

University of California

The Company entered into a series of exclusive license agreements with UC in March 1997 and October 1998. These agreements provide the Company with certain technology and related patent rights and materials. Under the terms of the agreements, the Company pays annual license or maintenance fees and will be required to pay milestones and royalties on net sales of products originating from the licensed technologies. The agreements will expire on either the expiration date of the last-to-expire patent licensed under the agreements or the date upon which the last patent application licensed under the agreements is abandoned. The Company incurred license fees of $20,000, $20,000, and $20,000 and patent expenses of approximately $277,000, $278,000, and $405,000 in the years ended December 31, 2000, 2001, and 2002, respectively, and approximately $275,000 and $158,000 in the nine months ended September 30, 2002 and 2003 (unaudited), respectively, in connection with these license agreements, each of which was recorded as research and development expense. Included in accounts payable at December 31, 2001, 2002, and September 30, 2003 (unaudited), was approximately $78,000, $66,000 and $18,000, respectively, related to patent expenses.

In December 1998, the Company entered into a research agreement with UC to fund a research project on "Biological Effects of ISS and IIS-ODN." Title to any inventions shall be determined in accordance with U.S. Patent laws. The project commenced in January 1999 and will continue for a period of five years, unless terminated in accordance with the terms of the agreement. The Company agreed to fund and support future project costs of approximately $1 million per year, to a maximum aggregate amount of $4.9 million. In connection with this agreement the Company incurred research and development expenses associated with the project of approximately $948,000, $986,000 and $1,026,000 during the years ended December 31, 2000, 2001 and 2002, respectively, and approximately $769,000 and $533,000 during the nine months ended September 30, 2002 and 2003 (unaudited), respectively. In December 1998, the Company also contributed to UC equipment with a net book value of $283,000 for use in connection with the project, which was charged to research and development expense. The principal investigator of the research project is one of the Company's founders and stockholders. The Company is obligated to make a one-time payment to UC upon the closing of the Company's initial public offering. A charge to operations will be recorded in the period the payment becomes probable and estimable.

Other Collaborative Agreements

In November 1999, the Company entered into a collaboration agreement with Stallergènes to develop and commercialize products to treat seasonal allergies. Under this agreement, both the Company and Stallergènes agreed to conduct preclinical and clinical development activities on two different forms of treatment for a particular allergy. Additionally, the Company granted Stallergènes a nonexclusive option, which has expired, to negotiate a license agreement. During 2001, revenues of $150,000 have been recognized. Separately, Stallergènes purchased 400,000 shares of Series S-1 Preferred Stock at $5.00 per share on November 22, 1999. The agreement lapsed in April 2002.

In December 1999, the Company entered into a two-year collaboration agreement with Aventis Pasteur S.A. ("Aventis") to develop new vaccines and therapeutic drugs for a variety of infectious diseases. Under this agreement, Aventis paid the Company for certain research to be completed pursuant to the terms of the agreement at a rate of cost plus 10%, with a maximum total cost of $1,500,000 for the first product and an additional $600,000 for the second product being developed. Additionally, the Company granted Aventis a nonexclusive option, which has expired, to negotiate a license agreement. The Company received an up-front payment of $1,100,000, all of which has been earned and recognized as revenue through December 31, 2001. During 2002, a further $990,000 of revenue was recognized for completed collaboration work. The agreement was terminated in September 2002. Separately, Aventis purchased 215,054 shares of Series R Preferred Stock at $4.65 per share on March 7, 2000.

In March 2000, the Company entered into an 18-month collaboration and license agreement with Triangle Pharmaceuticals Inc. ("Triangle Pharmaceuticals") to develop therapies for the treatment and prevention of hepatitis and HIV. Under this agreement, the Company licensed certain technology to Triangle Pharmaceuticals for its use in research and development activities. Additionally, Triangle Pharmaceuticals paid the Company to perform certain research and development activities and for the achievement of certain mutually agreed-upon milestones. During 2000, the company recognized revenue of $250,000 based on achievement of a milestone. During the year ended December 31, 2002 and the nine months ended September 30, 2002 (unaudited), the Company recognized revenue of approximately $188,000 in relation to the collaboration and license agreement. The agreement was terminated in November 2002. Separately, Triangle Pharmaceuticals purchased 400,000 shares of Series T Preferred Stock at $5.00 per share on March 31, 2000.

In June 2003, the Company entered into a development collaboration agreement with BioSeek to analyze and characterize the activity of certain compounds using BioSeek technology with the objective of advancing

the development of such compounds. Under this agreement, the Company will make various payments to BioSeek for the achievement of certain milestones outlined in the agreement. Additionally, the Company will make various payments to BioSeek based on the success and timing of the Company's signing of a third party partnering agreement where the Company grants to the third party, directly or indirectly, any right or option to market, sell, distribute or otherwise commercialize a thiazolopyrimidine (TZP) product in any geographic territory. The agreement may be terminated by either party prior to BioSeek meeting the first contractual milestone, in accordance with the terms of the agreement. As of September 30, 2003 (unaudited), no payments had been made to BioSeek as no milestones had been achieved.

In the third quarter of 2003, the Company was awarded government grants totaling approximately $8,400,000 (unaudited) to be received over three and half years, assuming annual review criteria are met, to fund research and development of certain biodefense programs. The revenue will be recognized as the related expenses are incurred.

12. Income Taxes

Deferred tax assets and liabilities consist of the following (in thousands):

	December 31,	
	2001	2002
Deferred tax assets:		
Net operating loss carry forwards	$ 6,560	$ 10,227
Research tax credit carry forwards	1,078	1,122
Accruals and reserves	1,225	85
Depreciation and amortization	9,781	11,529
Other	245	177
Total deferred tax assets	18,889	23,140
Less valuation allowance	(18,889)	(23,140)
	$ —	$ —

Management believes that, based on a number of factors, it is more likely than not that the deferred tax assets will not be realized. Accordingly, a full valuation allowance has been recorded for all deferred tax assets at December 31, 2001 and 2002. The valuation allowance increased by approximately $3,156,000, $8,190,000 and $4,251,000 during the years ended December 31, 2000, 2001 and 2002, respectively.

As of December 31, 2002, the Company had federal net operating loss carryforwards of approximately $27,000,000, which expire at various dates from 2011 through 2022, and federal research and development tax credits of approximately $600,000, which expire at various dates from 2018 through 2022 if not utilized.

The Tax Reform Act of 1986 limits the annual use of net operating loss and tax credit carryforwards in certain situations where changes occur in stock ownership of a company. In the event the Company has a change in ownership, as defined, the annual utilization of such carryforwards could be limited.

13. Subsequent Events

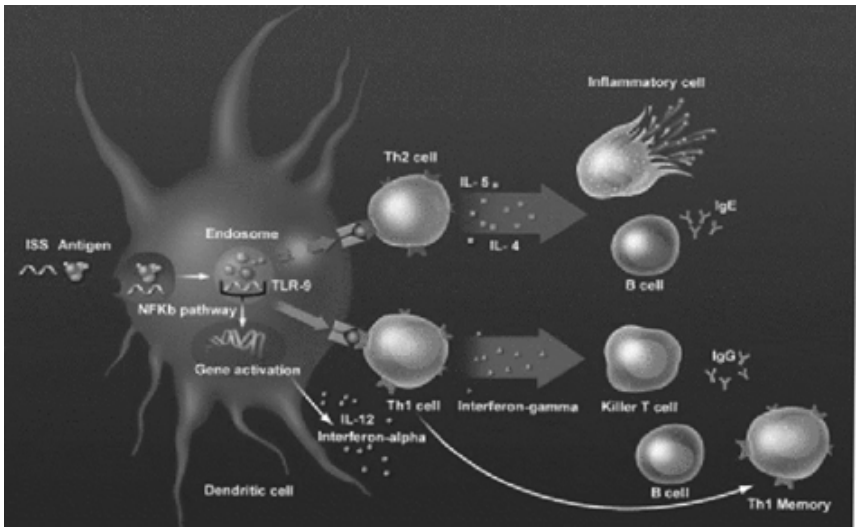
Dynavax Asia

In October 2003, the Company completed a sale of 15,200,000 ordinary shares in the Company's Singapore subsidiary, Dynavax Asia, which will be exchanged for 2,111,111 shares of common stock of the Company in connection with the closing of the Company's initial public offering. The sale raised gross proceeds of approximately $15.2 million. In connection with the proposed initial public offering, the

Company will record a deemed dividend, limited to the amount of proceeds of $15,200,000 based on the difference between the estimated fair value of the common stock and the exchange price of the ordinary stock at the issuance date.

Reverse Stock Split

In October 2003, the Board of Directors and Stockholders approved a one-for-three reverse stock split of its outstanding shares of common stock. An amended and restated certificate of incorporation will be filed following the effectiveness of the registration statement relating to the initial public offering. All common share and per share amounts contained in the consolidated financial statements have been retroactively adjusted to reflect this stock split.



Our principal product development efforts are based on a technology that uses short synthetic DNA molecules known as ISS that can stimulate a Th1 immune response while suppressing Th2 immune responses. ISS contain specialized sequences that activate the innate immune system. ISS are recognized by a specialized subset of dendritic cells containing a unique receptor called Toll-Like Receptor 9, or TLR-9. The interaction of TLR-9 with ISS triggers the biological events that lead to the suppression of the Th2 immune response and the enhancement of the Th1 immune response.

shares

Common Stock

PROSPECTUS

, 2003

Bear, Stearns & Co. Inc.

Deutsche Bank Securities

U.S. Bancorp Piper Jaffray

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution***

The expenses to be paid by the Registrant in connection with the distribution of the securities being registered, other than underwriting discounts and commissions, are as follows:

	Amount
Securities and Exchange Commission Filing Fee	$7,281
NASD Filing Fee	$9,500
Nasdaq National Market Listing Fee	*
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Legal Fees and Expenses	*
Transfer Agent and Registrar Fees and Expenses	*
Printing Expenses	*
Miscellaneous Expenses	*
Total	*

* To be completed by amendment.

Item 14. ***Indemnification of Directors and Officers***

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant indemnity to officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The Registrant certificate of incorporation and bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the Registrant intends to enter into separate indemnification agreements with its directors, officers and certain employees, which would require the Registrant, among other things, to indemnify them against certain liabilities, which may arise by reason of their status as directors, officers or certain other employees. The Registrant also intends to maintain director and officer liability insurance, if available on reasonable terms.

These indemnification provisions and the indemnification agreement to be entered into between the Registrant and its officers and directors may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The underwriting agreement, which is Exhibit 1.1 to this registration statement, provides for indemnification by our underwriters and their officers and directors for certain liabilities arising under the Securities Act or otherwise.

Item 15. ***Recent Sales of Unregistered Securities***

Since December 1996, the Registrant has issued and sold the following unregistered securities:

1. In December 1996, the Registrant issued and sold an aggregate of 6,700,000 shares of its Series A Preferred Stock to ten investors for an aggregate purchase price of $6,700,000. These sales were made in reliance on Section 4(2) of the Securities Act.

2. Between January 1, 1997 and September 18, 2003, the Registrant granted 2,061,245 shares of restricted common stock and options to purchase shares of common stock at prices ranging from $0.30

to $12.00 to employees, directors and consultants pursuant to its 1997 Equity Incentive Plan. These issuances were made in reliance on Rule 701 of the Securities Act.

3. In September 1997, the Registrant issued a warrant to purchase 6,000 shares of its common stock to Lease Management Services, Inc. in connection with a leasing arrangement. The warrant was issued in reliance on Section 4(2) of the Securities Act.

4. In July 1998, the Registrant issued and sold an aggregate of 9,032,786 shares of its Series B Preferred Stock to a total of 16 investors for an aggregate purchase price of $16,529,998.38. These sales were made in reliance on Section 4(2) of the Securities Act.

5. From December 1999 to March 2000, the Registrant issued and sold an aggregate of 400,000 shares of its Series S-1 Preferred Stock to Stallergènes S.A. for an aggregate purchase price of $2,000,000 in connection with a collaboration agreement with Stallergènes S.A. This sale was made in reliance on Section 4(2) of the Securities Act.

6. In March 2000, the Registrant issued and sold an aggregate of 430,108 shares of its Series R Preferred Stock to Aventis Pasteur S.A. for an aggregate purchase price of $2,000,002.20 in connection with a collaboration agreement with Aventis Pasteur S.A. This sale was made in reliance on Section 4(2) of the Securities Act.

7. In April 2000, the Registrant issued and sold an aggregate of 400,000 shares of its Series T Preferred Stock to Triangle Pharmaceuticals, Inc. for an aggregate purchase price of $2,000,000 in connection with a License Agreement with Triangle Pharmaceuticals, Inc. This sale was made in reliance on Section 4(2) of the Securities Act.

8. From June 2000 to October 2000, the Registrant issued and sold an aggregate of 5,668,750 shares of its Series C Preferred Stock to a total of 42 investors for an aggregate purchase price of $22,675,000. These sales were made in reliance on Section 4(2) of the Securities Act.

9. In July 2000, the Registrant issued an aggregate of 11,111 shares of its common stock to Parteurope Development as compensation for services valued at approximately $275,000 in connection with a consulting agreement. This issuance was made in reliance on Section 4(2) of the Securities Act.

10. From March 2002 to July 2002, the Registrant issued and sold an aggregate of 16,882,220 shares of its Series D Preferred Stock to a total of 46 investors for an aggregate purchase price of $34,777,373.20. These sales were made in reliance on Section 4(2) of the Securities Act.

11. In August 2002, the Registrant issued a warrant to purchase 253,233 shares of its Series D Preferred Stock to Banc of America Securities LLC as placement agent in connection with the Series D financing. The warrant was issued in reliance on Section 4(2) of the Securities Act.

12. In October 2003, Dynavax Asia Pte. Ltd., a subsidiary of the Registrant incorporated under the laws of Singapore, issued and sold an aggregate of 15,200,000 ordinary shares to a total of 6 investors for an aggregate purchase price of $15,200,000. The ordinary shares will be exchanged for 2,111,111 shares of common stock of the Registrant upon the completion of this offering. These sales were made in reliance on Section 4(2) of the Securities Act.

The issuances of the securities in the transactions above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act promulgated thereunder as transactions by an issuer not involving a public offering, where the purchasers represented their intention to acquire the securities for investment only and not with a view to distribution and received or had access to adequate information about the Registrant, or Rule 701 promulgated under the Securities Act as transactions pursuant to a compensatory benefit plan or a written contract relating to compensation.

Appropriate legends were affixed to the stock certificates issued in the above transactions. Similar legends were imposed in connection with any subsequent sales of any such securities. No underwriters were employed in any of the above transactions.

Item 16. ***Exhibits and Financial Statement Schedules***

(a) Exhibits

The exhibits are as set forth in the Exhibit Index.

(b) Financial Statement Schedules.

All schedules have been omitted because they are not required or are not applicable or the required information is shown in the financial statements or related notes.

Item 17. ***Undertakings***

The Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California on the 24th day of October, 2003.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ DINO DINA, M.D.

Dino Dina, M.D.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dino Dina, M.D. and William J. Dawson, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by the Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ DINO DINA, M.D. Dino Dina	President, Chief Executive Officer and Director *(Principal Executive Officer)*	October 24, 2003
/s/ WILLIAM J. DAWSON William J. Dawson	Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*	October 24, 2003
/s/ DANIEL S. JANNEY Daniel S. Janney	Chairman of the Board	October 24, 2003
/s/ LOUIS C. BOCK Louis C. Bock	Director	October 24, 2003
/s/ DENNIS CARSON, M.D. Dennis Carson, M.D.	Director	October 24, 2003
/s/ JAN LESCHLY Jan Leschly	Director	October 24, 2003
/s/ ARNOLD L. ORONSKY, PH.D. Arnold L. Oronsky, Ph.D.	Director	October 24, 2003

EXHIBIT INDEX

Exhibit Number	Document
1.1*	Form of Underwriting Agreement
3.1*	Form of Amended and Restated Certificate of Incorporation of the Registrant to be in effect upon the closing of this offering
3.2*	Form of Bylaws of the Registrant to be in effect upon the closing of this offering
4.1	Reference is made to Exhibits 3.1 and 3.2
4.2*	Specimen Stock Certificate of the Registrant
4.3*	Fourth Amended Investors' Rights Agreement, dated as of October 20, 2003, between the Registrant and certain holders of the Registrant's preferred stock
5.1*	Opinion of Morrison & Foerster LLP as to the legality of the common stock
10.1	Form of Indemnification Agreement between the Registrant and each of its executive officers and directors
10.2*	Registrant's 1997 Equity Incentive Plan, as amended
10.3*	2003 Stock Incentive Plan, including forms of agreements thereunder
10.4*	2003 Employee Stock Purchase Plan, including forms of agreements thereunder
10.5	Triple Net Laboratory Lease, dated as of January 30, 1998, between the Registrant and Fifth & Potter Street Associates, LLC, including an amendment thereof
10.6*	Standard Industrial/ Commercial Multi-Tenant Lease — Gross, dated January 31, 2001, between the Registrant and Neil Goldberg and Hagit Cohen
10.7*+	Development Collaboration Agreement, dated June 10, 2003, between the Registrant and BioSeek, Inc.
10.8*+	Exclusive License Agreement, dated October 2, 1998, between the Registrant and the Regents of the University of California, for Compounds for Inhibitors of DNA Immunostimulatory Sequence Activity, including an amendment thereof
10.9*+	Exclusive License Agreement, dated October 2, 1998, between the Registrant and the Regents of the University of California, for Compounds for Inhibition of Ceramide-Mediated Signal Transduction and New Anti-Inflammatory Inhibitors: Inhibitors of Stress Activated Protein Kinase Pathways, including an amendment thereof
10.10*	Research Agreement, dated December 23, 1998, between the Registrant and the Regents of the University of California, on behalf of the University of California, San Diego
10.11	Management Continuity Agreement, dated as of October 15, 2003, between the Registrant and Dino Dina
10.12	Management Continuity Agreement, dated as of September 2, 2003, between the Registrant and Daniel Levitt
10.13	Management Continuity and Severance Agreement, dated as of August 1, 2003, between the Registrant and William J. Dawson
10.14	Management Continuity and Severance Agreement, dated as of August 1, 2003, between the Registrant and Stephen Tuck
10.15	Management Continuity and Severance Agreement, dated as of August 1, 2003, between the Registrant and Robert Lee Coffman
10.16	Management Continuity and Severance Agreement, dated as of August 1, 2003, between the Registrant and Gary Van Nest
16.1	Letter from PricewaterhouseCoopers LLP, regarding change in certifying accountants
23.1*	Consent of Morrison & Foerster LLP (see Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, Independent Auditors
23.3	Consent of PricewaterhouseCoopers LLP, Independent Accountants
24.1	Power of Attorney (see Page II-4)

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into this __ day of _____, 2003 (the "Effective Date") by and between Dynavax Technologies Corporation, a Delaware corporation (the "Company"), and (the "Indemnitee").

WHEREAS, the Company believes it is essential to retain and attract qualified directors and officers;

WHEREAS, the Indemnitee is a director and/or officer of the Company;

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies;

WHEREAS, the Company's Certificate of Incorporation (the "Certificate of Incorporation"), as amended, and Bylaws (the "Bylaws") require the Company to indemnify and advance expenses to its directors and officers to the extent permitted by the DGCL (as hereinafter defined);

WHEREAS, the Indemnitee has been serving and intends to continue serving as a director and/or officer of the Company in part in reliance on the Certificate of Incorporation and Bylaws; and

WHEREAS, in recognition of the Indemnitee's need for (i) substantial protection against personal liability based on the Indemnitee's reliance on the Certificate of Incorporation and Bylaws, and (ii) an inducement to continue to provide effective services to the Company as a director and/or officer thereof, the Company wishes to provide for the indemnification of the Indemnitee and to advance expenses to the Indemnitee to the fullest extent permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained by the Company, to provide for the continued coverage of the Indemnitee under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the premises contained herein and of the Indemnitee continuing to serve the Company directly or, at its request, with another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. CERTAIN DEFINITIONS.

(a) A "Change in Control" shall be deemed to have occurred if:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), other than (a) a trustee or other fiduciary holding securities under an employee benefit plan of the Company; (b) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company; or (c) any current beneficial stockholder or group, as defined by Rule 13d-5 of the Exchange Act, including the heirs, assigns and successors thereof, of beneficial ownership, within the meaning of Rule 13d-3 of the Exchange Act, of securities possessing more than 50%

of the total combined voting power of the Company's outstanding securities; hereafter becomes the "beneficial owner," as defined in Rule 13d-3 of the Exchange Act, directly or indirectly, of securities of the Company representing 20% or more of the total combined voting power represented by the Company's then outstanding Voting Securities;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company, in one transaction or a series of transactions, of all or substantially all of the Company's assets.

(b) "DGCL" shall mean the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended or interpreted; provided, however, that in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the Company to provide broader indemnification rights than were permitted prior thereto.

(c) "Expense" shall mean attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing for any of the foregoing, any Proceeding relating to any Indemnifiable Event.

(d) "Indemnifiable Event" shall mean any event or occurrence that takes place either prior to or after the execution of this Agreement, related to the fact that the Indemnitee is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, or by reason of anything done or not done by the Indemnitee in any such capacity.

(e) "Proceeding" shall mean any threatened, pending or completed action, suit, investigation or proceeding, and any appeal thereof, whether civil, criminal, administrative or investigative and/or any inquiry or investigation, whether conducted by the Company or any other party, that the Indemnitee in good faith believes might lead to the institution of any such action.

(f) "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board or any other person or body appointed by the Board (including the special independent counsel referred to in Section 6) who is not a party to the particular Proceeding with respect to which the Indemnitee is seeking indemnification.

(g) "Voting Securities" shall mean any securities of the Company which vote generally in the election of directors.

2. INDEMNIFICATION. In the event the Indemnitee was or is a party to or is involved (as a party, witness, or otherwise) in any Proceeding by reason of (or arising in part out of) an Indemnifiable Event, whether the basis of the Proceeding is the Indemnitee's alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, the Company shall indemnify the Indemnitee to the fullest extent permitted by the DGCL against any and all Expenses, liability, and loss (including judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any director or officer as a result of the actual or deemed receipt of any payments under this Agreement) (collectively, "Liabilities") reasonably incurred or suffered by such person in connection with such Proceeding. The Company shall provide indemnification pursuant to this Section 2 as soon as practicable, but in no event later than 30 days after it receives written demand from the Indemnitee. Notwithstanding anything in this Agreement to the contrary and except as provided in Section 5 below, the Indemnitee shall not be entitled to indemnification pursuant to this Agreement (i) in connection with any Proceeding initiated by the Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Proceeding or (ii) on account of any suit in which judgment is rendered against the Indemnitee pursuant to Section 16(b) of the Exchange Act for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company.

3. ADVANCEMENT OF EXPENSES. The Company shall advance Expenses to the Indemnitee within 30 business days of such request (an "Expense Advance"); provided, however, that if required by applicable corporate laws such Expenses shall be advanced only upon delivery to the Company of an undertaking by or on behalf of the Indemnitee to repay such amount if it is ultimately determined that the Indemnitee is not entitled to be indemnified by the Company; and provided further, that the Company shall make such advances only to the extent permitted by law. Expenses incurred by the Indemnitee while not acting in his/her capacity as a director or officer, including service with respect to employee benefit plans, may be advanced upon such terms and conditions as the Board, in its sole discretion, deems appropriate.

4. REVIEW PROCEDURE FOR INDEMNIFICATION. Notwithstanding the foregoing, (i) the obligations of the Company under Sections 2 and 3 above shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the special independent counsel referred to in Section 6 hereof is involved) that the Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 3 above shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that the Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled

to be reimbursed by the Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if the Indemnitee has commenced legal proceedings in a court of competent jurisdiction pursuant to Section 5 below to secure a determination that the Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that the Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and the Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or have lapsed). The Indemnitee's obligation to reimburse the Company for Expense Advances pursuant to this Section 4 shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control, the Reviewing Party shall be selected by the Board, and if there has been such a Change in Control, other than a Change in Control which has been approved by a majority of the Company's Board who were directors immediately prior to such Change in Control, the Reviewing Party shall be the special independent counsel referred to in Section 6 hereof.

5. ENFORCEMENT OF INDEMNIFICATION RIGHTS. If the Reviewing Party determines that the Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, or if the Indemnitee has not otherwise been paid in full pursuant to Sections 2 and 3 above within 30 days after a written demand has been received by the Company, the Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper to recover the unpaid amount of the demand (an "Enforcement Proceeding") and, if successful in whole or in part, the Indemnitee shall be entitled to be paid any and all Expenses in connection with such Enforcement Proceeding. The Company hereby consents to service of process for such Enforcement Proceeding and to appear in any such Enforcement Proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and the Indemnitee.

6. CHANGE IN CONTROL. The Company agrees that if there is a Change in Control of the Company, other than a Change in Control which has been approved by a majority of the Company's Board who were directors immediately prior to such Change in Control, then with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or under applicable law or the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to indemnification for Indemnifiable Events, the Company shall seek legal advice only from special independent counsel selected by the Indemnitee and approved by the Company, which approval shall not be unreasonably withheld. Such special independent counsel shall not have otherwise performed services for the Company or the Indemnitee, other than in connection with such matters, within the last five years. Such independent counsel shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement. Such counsel, among other things, shall render its written opinion to the Company and the Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the special independent counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees),

claims, liabilities and damages arising out of or relating to this Agreement or the engagement of special independent counsel pursuant to this Agreement.

7. PARTIAL INDEMNITY. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses and Liabilities, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all Proceedings relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, the Indemnitee shall be indemnified against all Expenses incurred in connection therewith. In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that the Indemnitee is not so entitled.

8. NON-EXCLUSIVITY. The rights of the Indemnitee hereunder shall be in addition to any other rights the Indemnitee may have under any statute, provision of the Company's Certificate of Incorporation or Bylaws, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that a change in the DGCL permits greater indemnification by agreement than would be afforded currently under the Company's Certificate of Incorporation and Bylaws and this Agreement, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. LIABILITY INSURANCE. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director or officer of the Company.

10. SETTLEMENT OF CLAIMS. The Company shall not be liable to indemnify the Indemnitee under this Agreement (a) for any amounts paid in settlement of any action or claim effected without the Company's written consent, which consent shall not be unreasonably withheld; or (b) for any judicial award if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

11. NO PRESUMPTION. For purposes of this Agreement, to the fullest extent permitted by law, the termination of any Proceeding, action, suit or claim, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

12. PERIOD OF LIMITATIONS. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, or such longer period as may be required by state law under the circumstances, and any claim or cause of action of the

Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

13. AMENDMENT OF THIS AGREEMENT. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

14. SUBROGATION. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

15. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw, vote, agreement or otherwise) of the amounts otherwise indemnifiable hereunder.

16. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as a director or officer of the Company or of any other enterprise at the Company's request.

17. SEVERABILITY. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

18. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such State without giving effect to the principles of conflicts of laws.

19. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. NOTICES. All notices, demands, and other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, postage prepaid, certified or registered mail, return receipt requested, and addressed to the Company at:

Dynavax Technologies Corporation
717 Potter St., Suite 100
Berkeley, CA 94710
Fax: (510) 450-7740
Attention: Secretary

and to the Indemnitee at:

Notice of change of address shall be effective only when done in accordance with this Section. All notices complying with this Section shall be deemed to have been received on the date of delivery or on the third business day after mailing.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day first set forth above.

THE COMPANY:

DYNAVAX TECHNOLOGIES CORPORATION

By: ---

Name: ---

Title: ---

INDEMNITEE:

Signature

Print Name: ---

Exhibit 10.5

TRIPLE NET LABORATORY LEASE

This Lease is made and entered into as of January 30, 1998 between Fifth & Potter Street Associates, LLC ("Landlord") and Dynavax Technologies Corporation ("Tenant").

1. BASIC LEASE TERMS.

1.1. Commencement of Lease. The term of this Lease shall commence the date Landlord notifies Tenant in writing that the construction to be performed by Landlord pursuant to Paragraph 2.2 hereof has been substantially completed or April 1, 1998 whichever is earlier. Completion shall have occurred when the Premises are in such condition as to permit Landlord to file a Notice of Completion with respect to its work, and all permits and approvals for occupancy and use by Tenant have been issued by the City of Berkeley.

1.2. Lease Term. This Lease shall continue in force for a term of five years.

1.3. Base Monthly Rent.

Months 1 thru 30 - $2.25/rentable sq.ft.(N,N,N)
Months 31 thru 60 - $2.35/rentable sq.ft.(N,N,N)

1.4. Tenant's Pro Rata Share. All references in this Lease to Tenant's pro rata share of any expense shall mean the total expense of any such item multiplied by a fraction, the numerator of which shall be the total floor area of the Premises (as adjusted pursuant to paragraph 2.1 of this Lease) and the denominator of which shall be the total floor area of the property. The "floor area" of the Premises shall be measured from the exterior surface of all exterior walls and from the center of all walls separating the Premises from adjacent Premises and/or common areas. The total floor area of the property shall be measured from the exterior surface of all exterior walls and shall include all common and core areas within the property. Tenant's pro rata share shall be adjusted as necessary if the actual square footage of the Premises is other than as set forth in paragraph 2.1 or the square footage of the property changes. As used in this Lease, the term Premises refers to that portion of the building leased to Tenant for Tenant's exclusive use. The term property refers to the building in which the Premises are located.

1.5. Estimated Payments.

Estimated monthly taxes	$0.146 per square foot
Estimated monthly insurance	$0.023 per square foot
Estimated monthly maintenance	$0.056 per square foot
Estimated monthly management	5% base monthly rent
Estimated monthly security and service	$0.052 per square foot

1.6. Security Deposit. The Tenant shall deposit with Landlord $17,919 as a security deposit for the faithful performance of this Lease.

1.7. Use. The leased Promises will be used exclusively for general research and development laboratories with associated administration, including but not limited to research and administration of DNA-based vaccines to develop treatments for allergic, infectious and oncological diseases, and for no other purpose whatsoever, without Landlord's consent which shall not be unreasonably withheld.

2. Premises.

2.1. Description. Landlord hereby leases to Tenant for its exclusive use and occupancy subject to the provisions of this Lease approximately 7,240 usable square feet, as more particularly identified in Exhibit A annexed (the "Premises"), which constitutes a portion of a larger building owned by Landlord, commonly known as 717 Potter Street, Berkeley, California 94710 (the "property"). In addition to the square

footage described above, Tenant shall be deemed to occupy an additional undivided 10% of such square footage for purposes of the calculation of base monthly rental and pro rata expense payments. Said 10% represents Tenant's share of the rental charges for the common area. For all calculations required under the terms of this Lease respecting proration of expenses, costs or charges, Tenant's Premises shall be deemed to consist of the square footage of the Premises augmented by the portion of the common area attributable to Tenant pursuant to this paragraph. As to such common areas (those outside of the Premises, but allocated to Tenant pursuant to this paragraph), Tenant shall have an undivided interest for nonexclusive use in conjunction with all other tenants of the building.

2.2. WORK OF IMPROVEMENT. The respective obligations of Landlord and Tenant to perform the work and supply material and labor to prepare the Premises for occupancy are set forth in Exhibit B annexed to and incorporated in this Lease. Landlord and Tenant shall expend all funds and do all acts required of them respectively in Exhibit B and shall have the work performed promptly and diligently in a first class, workmanlike manner. Tenant shall not commence any construction of improvements to be undertaken by Tenant until Landlord has approved In writing the final drawings for said improvements.

2.3. POSSESSION. Landlord shall deliver occupancy of the Premises to Tenant on the commencement date as set forth in Paragraph 1.1 of this Lease. Notwithstanding herein to the contrary, Tenant shall have the right to enter the Premises prior to the commencement of the term to take reasonable preparatory measures for its occupancy of the Premises, including, without limitation, the installation of its trade fixtures, furnishings, and telephone and computer equipment. Such entry shall be subject to all of the terms and conditions of this Lease, except that Tenant shall not be required to pay any Base Rent or Additional Rent during such early occupancy period.

2.4 OPTION TO EXPAND. See addendum.

3. TERM.

3.1. TERM. The Lease shall commence on the date specified in Paragraph 1.1 (the "commencement date") and shall continue thereafter for the term specified in Paragraph 1.2 (the "term"), unless sooner terminated or extended pursuant to the provisions of this Lease.

3.2. DELAY IN COMMENCEMENT. If, for any reason, Landlord cannot deliver possession of the Premises to Tenant on the commencement date, such failure shall not affect the validity of this Lease nor shall it extend the term or render Landlord liable to Tenant for any loss or damage resulting therefrom; except that if possession is not delivered to Tenant on the commencement date, Tenant shall not be obligated to pay rent until Landlord tenders possession of the Premises to Tenant in compliance with Paragraph 1.1. After 60 days following the projected commencement date have elapsed, if Landlord still cannot deliver possession to Tenant, Tenant or Landlord shall have the right to terminate this Lease upon written notice delivered to Landlord, whereupon Landlord shall promptly refund any sums deposited by Tenant with Landlord. In such event, Tenant shall have no further recourse against Landlord with respect to the Lease or Landlord's inability to deliver the Premises to Tenant and Landlord shall have no further recourse against Tenant with respect to the Lease. Notwithstanding any other provision of this Lease, Landlord shall have no obligation to pay any damages or adjustment to Tenant as a result of delays caused by matters outside of Landlord's control, including, without limitation, Tenant's conduct, acts of God, acts of war, inclement weather and/or labor strikes (including strikes affecting the supply of labor and/or materials).

3.3. OPTION TO EXTEND TERM. See addendum

4. RENT.

4.1. BASE MONTHLY RENT. Beginning on the commencement date, Tenant shall pay to Landlord as rent for the Premises in advance on the first day of each calendar

month of the term, without deduction, offset, prior notice or demand, except as provided herein, in lawful money of the United States of America, the per square foot rental rate set forth in paragraph 1.3 multiplied by the square footage of the Premises as adjusted pursuant to paragraph 2.1. If the actual square footage of the Premises is determined to be other than the unadjusted amount set forth in Paragraph 2.1, the monthly base rent shall be increased or decreased based upon the actual floor area and the adjustment thereto set forth in Paragraph 2.1. If Tenant makes any alterations or additions that increase the square footage of the Premises, the monthly rent shall be increased in proportion to the resulting increase in floor area. If the date that the obligation to pay monthly rent commences is not the first day of a calendar month, such installment shall be applied on a per diem basis against payment of the rent from the date rent commences until the first day of the next succeeding calendar month. Any unused portion of said amount shall be applied against payment of the rent for the following calendar month, and the balance of the rent for that month shall be due on the first day thereof.

4.2. BASE RENT ADJUSTMENT. See Paragraph 1.3.

4.3. MODE OF PAYMENT. Tenant shall pay all rent due Landlord at Landlord's address set forth on the signature page hereof, or any such other place or places as Landlord may designate from time to time in writing.

4.4. ADDITIONAL RENT. Landlord shall receive the rent set forth herein free and clear of any and all other impositions, taxes, charges, assessments or expenses of any nature whatsoever associated with the operation, maintenance, and management of the Premises, the property and the land on which it is situated, including, without limitation, charges levied by any assessment district now in existence or hereafter created which affects the property, except as provided herein. The foregoing expenses and charges may hereinafter be referred to singly and/or collectively as "Operating Expenses" (Operating Expenses are defined as maintenance, taxes, insurance, management, security and services as delineated in Section 1.5). Tenant's pro rata portion of all such charges, costs and expenses, together with all other sums payable under this Lease, shall be additional rental hereunder, and Tenant's failure to pay any such charge, cost, expense or sum shall entitle Landlord to exercise the rights and remedies as provided in this Lease for failure of Tenant to pay rent. Notwithstanding anything herein to the contrary, Tenant shall not have any obligation to pay Operating Expenses during the initial year of the Lease term which exceed $38,227/year (40 cents per square foot/month), and for each successive year, Tenant's pro-rata share of Operating Expenses shall not increase by more than five percent per year. Tenant shall in no event be entitled to any abatement or reduction of rent or other monetary sums payable hereunder, except as expressly provided herein, notwithstanding any present or future law to the contrary. Tenant expressly waives the provisions of any such law.

4.5. ESTIMATED PAYMENTS. Estimated payments for taxes, insurance maintenance of common areas, management of the property and common area utilities and services are set forth in Paragraph 1.5. Tenant shall pay the estimated payments together with the monthly rent in advance on the first day of each calendar month of the term, without deduction, offset, prior notice or demand, except as provided herein. Landlord may increase or decrease the estimated payments upon 30 days' written notice to Tenant based upon statements received or charges incurred by Landlord, information available to Landlord as to the probable cost of expected charges and expenses, or Landlord's reasonable estimate of the probable amount of expected charges or expenses. In the event that any taxes payable in respect of the property are levied or assessed against the property and other property, or in the event that any property insurance carried by Landlord is carried under a policy or policies covering the property and other properties, the amounts payable by Tenant hereunder in respect of such taxes or such insurance shall be determined by reference to allocations or any such taxes and any such insurance to the property reasonably made by Landlord. Landlord shall be entitled to retain the monies received from such payments in a fund pending payment of all such costs and charges. No more frequently than once each calendar quarter, Landlord shall determine the actual costs of operation and maintenance of the property. Tenant shall remit to Landlord on demand its unpaid pro rata share of the actual expense. In the event Tenant paid more than its pro rata share of the actual expenses for such period of time,

Landlord shall apply such overpayment towards the next estimated payments owing by Tenant. At the termination of this Lease, an accounting for such charges and expenses shall be made to the nearest practical accounting period, and Tenant shall pay to Landlord any balance due or shall be entitled to a prompt refund of any excess amount paid. Landlord shall furnish to Tenant, within sixty (60) days after the end of each calendar year, a statement in reasonable detail, including supportive documentation, setting forth (a) Landlord's actual costs of operation and maintenance with respect to the property (including taxes and insurance) for that year by category and amount; (b) the amount of Tenant's additional rent for that year; and (c) the sum of Tenant's monthly estimated rent payments made during that year.

Tenant shall have the right to audit Landlord's records respecting for each calendar year during the term of this Lease by notifying Landlord within 120 days following the end of each such calendar year. If an audit (performed by a certified public accountant on behalf of Tenant) reveals that Landlord has overcharged Tenant for Operating Expenses, Landlord shall refund the amount overcharged within ten days after such determination has been made. If Landlord has overcharged Tenant by more than 5%, Landlord shall refund the overcharge amount and, in addition, shall pay the reasonable costs of Tenant's audit.

4.6. SECURITY DEPOSIT.

4.7. LATE CHARGES. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, without limitation, processing, accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Property. Accordingly, if any installment of Base Monthly Rent or any other sum due from Tenant shall not be received by Landlord within five business Days after the amount is due, Tenant shall pay to Landlord a late charge equal to 5% of the overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of Tenant's late payment. Landlord's acceptance of a late charge shall not constitute a waiver of Tenant's default respecting the overdue amount or prevent Landlord from exercising any of the remedies available hereunder.

5. TAXES.

5.1. TAXES ON THE PREMISES AND THE PROPERTY. Tenant agrees to pay to Landlord in addition to the rent and other charges herein, its pro rata share of all taxes pursuant to Paragraph 4.4. As used herein taxes shall include, without limitation, the following: (a) all real estate and personal property taxes, assessments, rates and charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever, including, but not limited to, assessment for public improvements or benefits, which relate to any period falling in whole or in part within the term and which are assessed, levied, confirmed, imposed or become a lien upon or payable in respect to the Premises or the property or any building or other improvements thereon and any taxes on personal property owned by Landlord and used in conjunction with the operation of the property, and (b) any tax or excise on rents or other tax howsoever described, unforeseen as well as foreseen, at any time imposed under the laws of any governmental authority which relates to any period falling in whole or in part within the term and which is levied or assessed directly or indirectly against Landlord or on the rental and charges payable under leases for portions of the property or on any arrangement relating thereto, wholly or partly in the place of, or in lieu of an increase in, or in addition to, taxes assessed or imposed by such authority on land and improvements, including, without limiting the generality of the foregoing, any gross receipts tax to the extent imposed upon a landlord by reason of the receipt of rental, charges or other income from the Premises or the property. Tenant's share of taxes shall be equitably prorated to cover only the period of time within the fiscal tax year during which this Lease is in effect. With respect to any assessments which may be levied against or upon the Premises, and which may be paid in annual installments, only the amount of such annual installments (with appropriate proration for any partial year) and interest due thereon shall be included within the computation of the annual taxes.

Notwithstanding anything herein to the contrary,

(a) Landlord shall be solely responsible for any increases in "taxes" and/or assessments that result from "new construction" or a "change of ownership" of the Building or the property (and for purposes hereof, "new construction" or a "change of ownership" shall have the same meaning as in part 0.5 of division 1 of the California Revenue and Taxation Code or any amendments or successor statutes to those sections);

(b) Tenant's obligation to pay any assessments included within "taxes" shall be calculated on the basis of the amount due if Landlord had allowed assessment to go to bond and the same were to be paid over the longest period available; and

(c) Tenant shall be required to pay any tax based on (1) gross or net rents, (2) the square footage of the Premises or the property, (3) this transaction (or any document relating thereto), (4) the occupancy of Tenant, or (5) any other tax, fee, or excise, however described, including, without limitation, a so called "value added tax" as a direct substitution in whole or part for, or in addition to, any real property tax, only to the extent that any such tax is in substitution of any real property tax it would otherwise be obligated to pay.

5.2. Taxes on Tenant's Property. Tenant shall pay before delinquency all taxes levied or assessed on Tenant's fixtures, improvements, furnishings, merchandise, equipment and personal property in and on the Premises, whether or not affixed to the real property. If at any time after any tax or assessment has become due or payable, Tenant or its legal representative neglects to pay such tax or assessment, and is not contesting such tax or assessment, Landlord shall be entitled, but not obligated, to pay the same at any time thereafter and such amount so paid by Landlord shall be repaid by Tenant to Landlord with Tenant's next rent installment. Tenant shall timely pay all taxes imposed by local, state, and federal law upon Tenant. Notwithstanding the foregoing, Tenant shall have the right to contest personal property taxes assessed against Tenant.

6. INSURANCE.

6.1. Property/Rental Insurance-Property and Premises. During the term Landlord shall keep the property insured against loss or damage by fire and those risks normally included in the term "special perils" including (a) flood coverage, (b) earthquake coverage at the election of Landlord if available at commercially reasonable rates, (c) coverage for loss of rents including Operating Expenses and (d) boiler and machinery coverage if Landlord deems necessary. All such insurance shall be solely for Landlord's benefit and,Tenant shall have no rights respecting any such policy or sums paid pursuant to the terms of such policies. The amount of such insurance shall be not less than 100% of the replacement value of the property. Any recovery received from said insurance policy shall be paid to Landlord. Tenant, in addition to the rent and other charges provided herein, agrees to pay to Landlord its pro rata share of the premiums for all such insurance pursuant to Paragraph 4.4 of this Lease. Tenant shall pay to Landlord Tenant's pro rata share of any deductible within 15 days after Landlord sends Tenant an invoice for the amount owing.

6.2. Property Insurance-Fixtures and Inventory. During the term, Tenant shall, at its sole expense, maintain insurance with "special perils" coverage on any and all fixtures, leasehold improvements installed hereafter, furnishings, merchandise, equipment or personal property in or on the Premises, whether in place as of the date hereof or installed hereafter, for the full replacement value thereof, and Tenant shall also have sole responsibility and cost for maintaining any other types of insurance deemed necessary, appropriate or desirable by Tenant. Any and all deductibles shall be paid by Tenant.

6.3. Landlord's Liability Insurance. During the term, as an expense of the property, Landlord shall maintain a policy or policies of commercial general liability insurance insuring Landlord and naming Tenant as additional insured (and such others as designated by Landlord) against liability for bodily injury, death and property damage on or about the property, with combined single limit coverage of not less than $10 million.

Tenant shall pay its pro rata share of the premium for such insurance pursuant to Paragraph 4.4.

6.4. Tenant's Liability Insurance. Tenant shall, at its sole expense, maintain for the mutual benefit of Landlord and Tenant, commercial general liability and property damage insurance against claims for bodily injury, death or property damage occurring in or about the Premises or arising out of the use or occupancy of the Premises, with combined single limit coverage of not less than $2 million. Such insurance shall include, so-called host liquor liability coverage from liability arising from the consumption of alcoholic beverages consumed at the Premises. Tenant shall furnish to landlord prior to the Commencement Date, and at least 30 days prior to the expiration date of any policy, certificates indicating that the liability insurance required of Tenant is in full force and effect, that Landlord has been named as an additional insured, and that no such policy will be canceled unless 30 days' prior written notice of cancellation has been given to Landlord. Said policies shall provide that Landlord, as an additional insured, may recover for any covered loss suffered by Landlord by reason of Tenant's negligence, and shall include a broad form liability endorsement. All insurance policies obtained by Tenant pursuant to the requirement of this Lease shall be in a form and from a company reasonably satisfactory to Landlord.

6.5. Waiver of Subrogation. Landlord hereby releases Tenant and its officers, agents, employees, and servants, and Tenant hereby releases Landlord and its officers, agents, employees and servants, from any and all claims or demands of damages, loss, expense or injury to the Premises, or to the furnishings and fixtures and equipment or inventory or other property of either Landlord or Tenant in, about or upon the Premises, which is caused by, or results from, or is incident to any perils, events or happenings which are the subject of insurance which is carried or is required to be carried by the respective parties and in force at the time of any such loss, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors or invitees. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy.

6.6. Indemnification. Except in the case of intentional misconduct by Landlord or Landlord's reckless disregard of its duties or the negligence of Landlord, its employees, agents or contractors, Tenant will indemnify Landlord and save it harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon or at the Premises, or the occupancy or use by Tenant of the Premises or the property or any part thereof, or occasioned wholly or in part by any acts or omissions of Tenant, its agents, contractors, employees, servants, licensees or concessionaires in or about the Premises or by anyone permitted to be on the Premises by Tenant. In case Landlord shall be made a party to any such litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless from all claims, liabilities, costs and expenses, and shall pay all costs, expenses and reasonable legal fees incurred by Landlord in connection with such litigation.

6.7. Plate Glass Replacement. If any glass in and about the Premises is damaged or broken by or as a result of the acts of Tenant and its agents, contractors and employees, Tenant shall pay Landlord's cost of replacement, provided that such amount shall not exceed the deductible then in effect on Landlord's insurance policy, if any, covering the damaged glass. Nothing herein shall be construed to require Landlord or Tenant to carry plate glass insurance.

6.8. Worker's Compensation Insurance. Tenant shall, at its sole expense, maintain and keep in force during the term a policy or policies of workman's compensation insurance and any other employee benefit insurance sufficient to comply with all applicable laws, statutes, ordinances and governmental rules, regulations or requirements.

7.0 PREMISES & PROPERTY MAINTENANCE & REPAIR

7.1. Premises. Throughout the term, Tenant agrees to keep and maintain all improvements and appurtenances upon the Premises, including all plumbing, heating and cooling appliances, wiring and glass, in good order and repair including the replacement of such improvement and appurtenances when necessary provided that Tenant's obligation respecting plumbing, electrical and HVAC systems shall only require Tenant to keep and maintain the exposed portions of such equipment and systems. Landlord shall keep and maintain the unexposed portions of such systems, except to the extent such repair or maintenance arises from Tenant's negligence or willful misconduct. Tenant hereby expressly waives the provisions of any law permitting repairs by a tenant at the expense of a landlord, including, without limitation, all rights of Tenant under California Civil Code Sections 1941 through 1946, inclusive. Tenant agrees to keep the Premises clean and in sanitary condition. Tenant further agrees to keep the interior of the Premises, including, without limitation, the windows, floors, walls, doors, showcases and fixtures clean and neat in appearance and to remove all trash and debris which may be found in or around the Premises. If Landlord reasonably deems any repairs and/or maintenance to be made by Tenant necessary and Tenant refuses or neglects to commence such repairs and/or maintenance and complete the same with reasonable dispatch upon demand, Landlord and its agents may enter the Premises and cause such repairs and/or maintenance to be made and shall not be responsible to Tenant for any loss or damage occasioned thereby. Tenant agrees that, upon demand, it shall pay to Landlord the cost of any such repairs, together with accrued interest from the date of Landlord's payment at the highest rate allowable by law. Notwithstanding anything to the contrary above, Landlord may elect to enter into commercially reasonable maintenance contracts for the provision of all or a part of Tenant's maintenance obligations as set forth in this paragraph. Upon such election, Tenant shall be relieved from its obligations to perform only those maintenance obligations covered by the maintenance contract and only for the duration of the maintenance contract, Tenant shall bear the cost of such maintenance contract (allocate able to the tenant), in accordance with paragraph 4.4 above, which shall be paid in advance on a monthly basis with Tenant's monthly rent payments.

7.2. Common Areas. Subject to Tenant's obligations in paragraph 7.1, Landlord shall keep and maintain the common areas of the property (which shall include, without limitation, the foundation, roof, parking, landscaping, HVAC, electrical, plumbing, exterior walls and structural components of the improvements on the property) in reasonably good order and condition, except that damage occasioned by the negligent acts of Tenant (inclusive of Tenant's employees, agents, guests and invitees) shall be repaired by Landlord at Tenant's sole expense. Tenant shall have the obligation to notify Landlord, in writing, of any repairs or maintenance to the common areas which may be necessary, and Landlord shall make necessary repairs within a reasonable time. The manner and method of maintenance and repair of the common areas shall be at Landlord's sole and absolute discretion. Except in the event that replacement of HVAC components, structural components or the roof is due to the negligent acts of Tenant (inclusive of Tenant's employees, agents, guests and invitees), Tenant shall not be obligated to pay a pro rata portion of the cost of replacement of any of said components and Tenant's obligation for reimbursement shall be limited to maintenance expenses associated with such components in place in the property. Tenant, in addition to the rent and other charges provided herein, agrees to pay to Landlord its pro rata share of costs of maintaining the common areas pursuant to Paragraph 4.4.

7.3. Alterations, Changes and Additions by Tenant. Tenant shall make no changes, alteration, or additions ("Alterations") to any portion of the Property without Landlord's prior written consent which shall not be unreasonably withheld. As a condition to consent, Landlord may require that each Alteration be under the supervision of a competent architect or competent licensed structural engineer and made in accordance with plans and specifications furnished to and approved by Landlord prior to the commencement of work, that Tenant remove such Alterations at the expiration of the Term and restore the Premises and Property to their condition prior to the Alteration. As a further condition to consent, Landlord may require Tenant to provide Landlord, at Tenant's sole expense, with a lien and completion bond in an amount equal to 125% of the estimated cost of the Alteration to insure Landlord against any liability for mechanic's and materialman's liens and to ensure completion of the Alteration. In the event that any Alteration increases the floor area of the Premises, the Base Monthly Rent and

Tenant's Pro Rata Share shall be proportionately increased. Tenant shall provide 14 days' written notice to Landlord of the date on which construction of each Alteration will commence in order to permit Landlord to post a notice of nonresponsibility if appropriate, given the nature and scope of the Alteration. Each Alteration shall be constructed in a good and workmanlike manner in accordance with all Regulations relating to such construction. Every Alteration shall remain for the benefit of and become the property of Landlord, unless Landlord requires its removal by giving Tenant written notice at least 30 Days before the date Tenant is to vacate the Premises, in which case, Tenant shall remove the Alteration(s) and restore the Premises to their pre-Alteration condition. Notwithstanding the above contents of paragraph 7.3, Tenant shall not be obligated to obtain Landlord's consent to any Alterations the cost of which is less than $25,000 in each instance, provided such Alteration does not affect the structural integrity of the Building, or the functional integrity of the utility systems, and is not visible from the exterior of the Premises.

7.4. USE OF PLUMBING, ELECTRICAL AND HVAC SYSTEMS. Tenant shall not use the plumbing facilities for any purpose other than the use specified in paragraph 1.7. The expense of repair of any breakage, stoppage or other damage relating to the plumbing and resulting from the introduction by Tenant, its agents, employees or invitees of foreign substances into the plumbing facilities shall be borne by Tenant. Tenant shall not use the electrical or heating and air-conditioning ("HVAC") systems for any purpose other than the use specified in paragraph 1.7. The expense of repair of any breakage or other damage resulting to the electrical and/or HVAC systems resulting from the use by Tenant, its agents, employees or invitees of those systems for any purpose other than that for which the uses specified in Section 1.7 shall be borne by Tenant.

7.5. LIENS. Tenant shall keep the Premises and the property free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant and shall indemnify, hold harmless and defend Landlord from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of Tenant. In the event that Tenant shall not, within 20 days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses by Landlord in connection therewith, including attorney's fees and costs, shall be payable to Landlord by Tenant on demand with interest from the date paid by Landlord to the date of Tenant's reimbursement to Landlord at the highest rate allowable by law. Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law, or which Landlord shall deem proper, for the protection of Landlord and the property and any other party having an interest therein, from mechanic's and materialmen's liens, and Tenant shall give to Landlord at least 14 days prior written notice of the expected date of commencement of any work relating to alterations or additions to the Premises.

8. MANAGEMENT. Tenant, as part of the Operating Expenses, will pay no more than 5% of its Base Rent as the management fee. Tenant understands that the Wareham Property Group, Inc., an affiliate of Landlord, or another affiliated or unaffiliated third party will be responsible for the management of the property.

9. UTILITIES AND SERVICES.

9.1. PREMISES. Landlord shall make water, sewer, telephone and utility service available to the property. Tenant shall pay prior to delinquency throughout the term the cost of water, gas, heating, cooling, sewer, telephone, electricity, garbage, air-conditioning and ventilating, janitorial services, landscaping and all other materials and utilities supplied directly to the Premises. If any such services are not separately metered to Tenant, Tenant shall pay a reasonable proportion of all charges which are jointly metered, the determination to be made by Landlord in good faith, and payment to be made by Tenant within 30 days of receipt of the statement for such charges.

9.2. COMMON AREAS. Landlord shall provide utilities, first class landscaping, janitorial, lighting for the common areas and, if Landlord deems it necessary

or appropriate, security services for the common areas of the property. Tenant shall bear its pro rata share of the costs to Landlord in providing such services pursuant to Paragraph 4.4. Security services may, in the Landlord's discretion, include hiring of guards during hours determined by Landlord or requested by Tenant at Tenant's expense. Tenant shall have the right of access to such portions of the property outside the Premises as are necessary to enable Tenant to exercise its rights under this Lease.

9.3. LIMITATION OF LIABILITY. Landlord shall not be in default under the provisions of this Lease or be liable for any damages directly or indirectly resulting from the following conditions: (1) the interruption of use of any equipment in connection with the furnishing of any of the foregoing services; (2) failure to furnish or delay in furnishing any such services where such failure or delay is caused by accident or any condition or event beyond Landlord's reasonable control; (3) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the Premises, to the extent such interruption or failure or limitation is beyond Landlord's reasonable control. Landlord shall not be liable under any circumstances for a loss of or injury to Property or business, however occurring, through or in connection with or incidental to failure to furnish any such services, except as to any matters arising out of Landlord's negligence or willful misconduct, or that of its employees, agents, contractors, or invitees. Tenant shall not connect any apparatus with electric current except through existing electrical outlets in the Premises.

10. USE OF PREMISES.

10.1. USE. The Premises shall be used and occupied by Tenant for only the purpose specified in Paragraph 1.7 and for no other purposes whatsoever without Landlord's consent which shall not be unreasonably withheld.

10.2. SUITABILITY. This Lease shall be subject to all applicable zoning ordinances and to all municipal, county and state laws and regulations governing and regulating the use of the Premises. Tenant has not entered into this Lease in reliance upon any representation or warranty of Landlord or any of its agents or employees as to the suitability of the Premises for the conduct of Tenant's business. Tenant has made its own analysis respecting the suitability of the Premises for Tenant's intended use.

10.3. USES PROHIBITED.

10.3.1. RATE OF INSURANCE. Tenant shall not do or permit anything to be done in or about the Premises which will cause the existing rate of insurance upon the Premises to increase or cause the cancellation of any insurance policy covering said Premises or any building of which the Premises may be a part, nor shall Tenant sell or permit to be kept, used or sold in or about such Premises any articles which may be prohibited by a standard form policy of fire insurance. Tenant shall pay to Landlord as additional rent hereunder the full amount of any increased premium resulting from Tenant's use of the Premises.

10.3.2. INTERFERENCE WITH OTHER TENANTS. Tenant shall not do or permit anything to be done in or about the Premises which will in any way materially obstruct or unreasonably interfere with the rights of other tenants or occupants of the property or injure or unreasonably annoy them, neither shall Tenant use or allow the Premises to be used for any unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in or about the Premises. Tenant shall not commit or suffer to be committed any illegal waste in or upon the Premises.

10.3.3. APPLICABLE LAWS. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way violate or conflict with any law, statute, zoning restriction, ordinance, governmental rule, regulation or requirement of duly constituted public authorities whether now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, properly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to Tenant's use or occupancy of the Premises. The judgment of any court of

competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant. Landlord warrants to Tenant that on the commencement of the term hereof, the Premises and any improvements to be constructed by Landlord (a) shall be free from material structural defects, (b) shall comply with all applicable covenants and restrictions of records, statutes, ordinances, codes, rules, regulations, orders, and requirements, including but not limited to the Americans with Disabilities Act, and (c) the Building's elevators, doors, roof, plumbing, electrical and HVAC systems are in good order and condition and operating properly. In the event of a breach of the foregoing warranties, Landlord shall promptly rectify such breach at its sole cost and expense. (Landlord also shall protect, indemnify, defend, and hold harmless from and against any and all liability, loss, suits, claims, actions, costs, and expense (including, without limitation, reasonable attorney's fees) arising from any breach of the foregoing warranties. The provisions of this paragraph shall survive the termination of this Lease.)

10.3.4. SIGNS. Without Landlord's consent which shall not be unreasonably withheld, Tenant shall not place any sign upon the Premises or the property. Landlord shall, to the extent allowed by applicable law and regulations, as an expense of the property, install and maintain directory and entry door signs identifying Tenant and Tenant's space. The directory signs shall be constructed to Landlord's specifications and shall comply with applicable regulations. Landlord agrees to install a monument sign at the Potter Street entrance to the Property which will include Tenant's name and logo.

10.3.5. AUCTIONS. Tenant shall not conduct or allow any auction or similar sale upon the Premises.

11. DEFAULTS AND REMEDIES.

11.1. DEFAULT OF TENANT. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant: (a) Tenant's failure to pay any rent or charges required to be paid by Tenant under this Lease, except as otherwise provided herein, where such failure continues for five (5) business days after notice from Landlord; (b) Tenant's abandonment of the demised Premises; (c) Tenant's failure to promptly and fully perform any other covenant, condition or agreement contained in this Lease where such failure continues for 30 days after written notice from Landlord to Tenant of such default provided that if the nature of the default is such that more than 30 days are reasonably required to cure such default, Tenant shall not be deemed to be in default if within such 30 day period it commences to cure and diligently prosecutes such cure to completion; (d) the levy of a writ of attachment or execution on this Lease or on any of Tenant's property located in the Premises; (e) the making by Tenant of a general assignment for the benefit of its creditors or of an arrangement, composition, extension or adjustment with its creditors, the filing by or against Tenant of a petition for relief or other proceeding under the federal bankruptcy laws or state or other insolvency laws, or the assumption by any court or administrative agency, or by a receiver, trustee or custodian appointed by either, of jurisdiction, custody or control of the Premises or of Tenant or any substantial part of its assets or property; or (f) if the interest of Tenant under this Lease is held by a partnership or by more than one person or entity, the occurrence of any act or event described in part (e) above in respect of any partner of the partnership or any person or entity holding an interest in Tenant of 25% or more. In the event a nonmonetary default occurs which cannot reasonably be cured within the time period specified above and Tenant commences corrective action within said time period, Tenant shall not be subject to penalty under this Lease so long as Tenant prosecutes such corrective action diligently and continuously to completion.

11.2. REMEDIES OF LANDLORD. In the event of Tenant's default hereunder, then in addition to any other rights or remedies Landlord may have under this Lease or under law, Landlord may elect either of the remedies set forth in Paragraphs 11.2.1 and 11.2.2. Notwithstanding any other provision of this lease, the Lessor has the remedy

described in California Civil Code Section 1951.4 (lessor (Landlord) may continue lease in effect after lessee's (Tenant's) breach and abandonment and recover rent as it becomes due, if lessee (Tenant) has the right to sublet or assign, subject only to reasonable limitations). For purposes of this Paragraph 11 (inclusive of all sub parts of said paragraph), the "worth at the time of award" of the amounts referred to in parts 11.2.1(i) and 11.2.2(ii) shall be computed by allowing interest at the highest rate allowable by law, and the "worth at time of award" of the amount referred to in part 11.2.1(iii) shall be computed by discounting such amount at the rate specified in California Civil Code Section 1951.2(b) or any successor statute. In such computations, the rent due hereunder shall include monthly rent plus the aggregate amount of all other rentals, charges and other amounts payable by Tenant hereunder.

11.2.1. To immediately terminate this Lease and Tenant's right to possession of the Premises by giving written notice to Tenant and to recover from Tenant an award of damages equal to the sum of (i) the "worth at the time of award" of the unpaid rental which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, (iii) the "worth at the time of award" of the amount by which the unpaid rental for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, (iv) any other amount necessary to compensate Landlord for all the detriment either proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, and (v) all such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law; or

11.2.2. To have this Lease continue in effect up to its ending under Paragraph 1.2 for so long as Landlord does not terminate this Lease and Tenant's right to possession of the Premises, in which event Landlord shall have the right to enforce all of the rights and remedies provided by this Lease and by law, including the right to recover the rental and other charges payable by Tenant under this Lease as they become due.

11.3. DEFAULT BY LANDLORD. Landlord will be in default if Landlord fails to perform any obligation required of Landlord within 30 days after written notice by Tenant, specifying wherein Landlord has failed to perform such obligation; provided that if the nature of Landlord's obligation is such that more than 30 days are required for performance, then Landlord shall not be in default if Landlord commences performance within such 30 day period and thereafter diligently prosecutes the same to completion. Tenant agrees that any judgment against Landlord resulting from any default or other claim arising under this Lease shall be satisfied only out of the rents, issues, profits and other income actually received on account of Landlord's right, title and interest in the property, and no other real, personal or mixed property of Landlord or any partner of Landlord, wherever situated, shall be subject to levy to satisfy such judgment. Tenant shall not have any right whatsoever to terminate this Lease or to withhold, reduce or offset any amount against any payments of rents or charges due and payable under this Lease, except as provided herein.

12. EXPIRATION OR TERMINATION.

12.1. SURRENDER OF POSSESSION. Tenant agrees to deliver up and surrender to Landlord possession of the Premises and all improvements thereon, subject to the terms of Paragraph 7.3 above, in as good order and condition as when possession was taken by Tenant excepting only ordinary wear and tear and damage due to casualty or condemnation. Upon termination of this Lease, Landlord may reenter the Premises and remove all persons and property therefrom. If Tenant fails to remove any effects that it is required or entitled to remove from the Premises upon the termination of this Lease, for any cause whatsoever, Landlord, at its option, may remove the same and store or dispose of them. Tenant agrees to pay to Landlord on demand any and all expenses incurred in such removal and in making the Premises free from all dirt, litter, debris and obstruction, including all storage and insurance charges. If the Premises are not surrendered at the end of the term, Tenant shall indemnify Landlord against loss or

liability of resulting from delay by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding lessee founded upon such delay.

12.2. HOLDING OVER. If Tenant, with Landlord's consent, remains in possession of the Premises after expiration of the term and if Landlord and Tenant have not executed an express written agreement as to such holding over, then such occupancy shall be a tenancy from month to month at a base monthly rental equivalent to 110% of the monthly rental in effect immediately prior to such expiration, such payment to be made as herein provided. In the event of such holding over, all of the terms of this Lease including the obligation for payment of all charges owing hereunder shall remain in force and effect on said month to month basis.

12.3. VOLUNTARY SURRENDER. The voluntary or other surrender of this Lease by Tenant if accepted by Landlord, or a mutual cancellation thereof, shall not work a merger, but shall, at the option of Landlord, terminate all or any existing subleases or subtenancies, or operate as an assignment to Landlord of any or all such subleases or subtenancies.

13. CONDEMNATION OF PREMISES.

13.1. TOTAL CONDEMNATION. If the entire Premises, whether by exercise of governmental power or the sale or transfer by Landlord to any condemnor under threat of condemnation or while proceedings for condemnation are pending, at any time during the term, shall be taken by condemnation such that there does not remain a portion suitable for occupation, this Lease shall then terminate as of the date transfer of possession is required. Upon such condemnation, all rent shall be paid up to the date transfer of possession is required, and Tenant shall have no claim against Landlord for the value of the unexpired term of this Lease.

13.2. PARTIAL CONDEMNATION. If any portion of the Premises is taken by condemnation during the term, whether by exercise of governmental power or the sale or transfer by Landlord to any condemnor under threat of condemnation or while proceedings for condemnation are pending, this Lease shall remain in full force and effect; except that in the event a partial taking leaves the Premises unsuitable for occupation, then Tenant shall have the right to terminate this Lease effective upon the date transfer of possession is required unless Landlord makes other comparable arrangements for Tenant's space. Landlord shall have the right to terminate this Lease effective on the date transfer of possession is required if more than 33% of the total square footage of the Premises allocated to Tenant is taken by condemnation. Tenant and Landlord may elect to exercise their respective rights to terminate this Lease pursuant to this paragraph by serving written notice to the other within 30 calendar days of their receipt of notice of condemnation, except that Tenant's notice shall be ineffective if Landlord serves notice upon Tenant of Landlord's election to provide alternate space equivalent to that condemned within ten calendar days of Tenant's delivery of notice to Landlord pursuant to this paragraph. All rent and other obligations of Tenant under this Lease shall be paid up to the date of termination, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If this Lease shall not be canceled, the rent after such partial taking shall be that percentage of the adjusted base rent provided for by this Lease, equal to the percentage which the square footage of the untaken part of the Premises immediately after the taking plus such replacement square footage as Landlord may make available to Tenant bears to the square footage of the entire Premises immediately before the taking. Any sums owing hereunder which are calculated on the basis of Tenant's pro rata share (as set forth in paragraph 1.4) shall also be adjusted to reflect any decrease in square footage of the Premises due to the condemnation. If Tenant's continued use of the Premises requires alterations and repairs by reason of a partial taking, all such alterations and repairs shall be made by Tenant at Tenant's expense.

13.3. AWARD TO TENANT. In the event of any condemnation, whether total or partial, Tenant shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Tenant for loss of business, fixtures or equipment belonging to Tenant immediately prior to the condemnation. The balance of any condemnation award shall belong to Landlord, and

Tenant shall have no further right to recover from Landlord or the condemning authority for any additional claims arising out of such taking.

13.4. WAIVER OF PARTIAL TERMINATION RIGHTS. Tenant hereby waives the provisions of California Code of Civil Procedure Section 1265.130.

14. ENTRY BY LANDLORD. Tenant shall permit Landlord and its agents to enter the Premises at all reasonable times for any of the following purposes: to inspect the Premises; to maintain the Property; to make such repairs to the Premises as Landlord is obligated or may elect to make; to make repairs, alterations or additions to any other portion of the property; to show the Premises and post "To Lease" signs for the purposes of reletting during the last 120 days of the term or any optional extension term; to show the Premises as part of a prospective sale by Landlord and/or to post notices of nonresponsibility. Landlord shall have such right of entry without any rebate of rent to Tenant for any loss of occupancy or quiet enjoyment of the Premises thereby occasioned. Notwithstanding the foregoing, Landlord shall provide 24 hours advance notice to Tenant of such intended entry except in the event of circumstances which Landlord deems to constitute an emergency. when entering or performing any repair or other work on the Premises, Landlord, its agents, employees and/or contractors (a) shall identify themselves to Tenant's personnel immediately upon entering the Premises, and (b) shall not, in any way, materially or unreasonably affect, interrupt or interfere with Tenant's use, business or operations on the Premises or obstruct the visibility of or access to the Premises.

15. LIABILITY LIMITATION AND INDEMNIFICATION.
The provisions of this section 15 supersede every other provision of this Lease to the extent that they are inconsistent with such other provisions.

15.1. LIMITATION OF LANDLORD'S LIABILITY. TENANT SHALL NOT HOLD LANDLORD LIABLE FOR ANY AMOUNT IN EXCESS OF INSURANCE COVERAGE MAINTAINED BY LANDLORD PURSUANT TO PARAGRAPH 6.3 OF THIS LEASE ("EXISTING COVERAGE") WITH RESPECT TO ANY INJURY OR DAMAGE, EITHER PROXIMATE OR REMOTE, OCCURRING THROUGH OR CAUSED BY ANY REPAIRS OR ALTERATIONS TO THE PROPERTY, UNLESS SUCH INJURY OR DAMAGE ARISES FROM LANDLORD'S NEGLIGENCE, WILLFUL MISCONDUCT, RECKLESS DISREGARD OF LANDLORD'S DUTIES OR BREACH OF THIS LEASE. LANDLORD SHALL NOT BE LIABLE IN EXCESS OF EXISTING COVERAGE FOR ANY INJURY OR DAMAGE OCCASIONED BY DEFECTIVE ELECTRIC WIRING, OR THE BREAKING, BURSTING, STOPPAGE OR LEAKING OF ANY PART OF THE PLUMBING, AIR-CONDITIONING, HEATING, FIRE CONTROL SPRINKLER SYSTEMS OR GAS, SEWER OR STEAM PIPES, UNLESS SUCH INJURY OR DAMAGE ARISES FROM LANDLORD'S NEGLIGENCE, WILLFUL MISCONDUCT OR RECKLESS DISREGARD OF LANDLORD'S DUTIES OR BREACH OF THIS LEASE.

15.2. LIMITATION ON ENFORCEMENT OF JUDGMENTS. NOTWITHSTANDING ANY OTHER PROVISION OF THIS LEASE, TENANT AND ITS AGENTS SHALL, UNDER ALL CIRCUMSTANCES, BE ABSOLUTELY LIMITED TO LANDLORD'S ESTATE IN THE PROPERTY FOR SATISFACTION OF TENANT AND ITS AGENTS' REMEDIES, AND/OR FOR THE COLLECTION OF A JUDGMENT, COURT ORDER OR ARBITRATION AWARD REQUIRING THE PAYMENT OF MONEY BY LANDLORD AS THE RESULT OF ANY AND ALL JUDGMENTS, ORDERS AND AWARDS RELATING TO OR ARISING OUT OF TENANT AND ITS AGENTS' OCCUPANCY AND USE OF THE PROPERTY AND/OR IN THE EVENT OF ANY DEFAULT BY LANDLORD HEREUNDER. NO OTHER PROPERTY OR ASSETS OF LANDLORD OR ITS PARTNERS OR PRINCIPALS, DISCLOSED OR UNDISCLOSED, SHALL BE SUBJECT TO LEVY, EXECUTION OR OTHER ENFORCEMENT PROCEDURE FOR THE SATISFACTION OF TENANT AND ITS AGENTS' REMEDIES UNDER OR WITH RESPECT TO THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT HEREUNDER, OR THE USE AND OCCUPANCY OF THE PROPERTY AND THE PREMISES BY TENANT AND ITS AGENTS. TENANT, ON BEHALF OF ITSELF AND ITS AGENTS, EXPRESSLY WAIVES ANY AND ALL RIGHT TO COLLECT OR ENFORCE ANY AND ALL ORDERS, AWARDS AND/OR JUDGMENTS AGAINST LANDLORD IN EXCESS OF THE LIMITATIONS IMPOSED BY THIS PARAGRAPH. TENANT SHALL REQUIRE THAT EACH SUBTENANT OF TENANT AND EACH ASSIGNEE OF TENANT AGREE TO BE BOUND BY THE WAIVER SET FORTH IN THIS PARAGRAPH. THE LANDLORD'S MAXIMUM EXPOSURE AS SET FORTH IN THIS PARAGRAPH IS CUMULATIVE (AS TO JUDGMENTS, AWARDS AND ORDERS AGAINST LANDLORD IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT HEREUNDER, OR THE USE AND OCCUPANCY OF THE PROPERTY BY TENANT AND ITS AGENTS). THE LIMITS IMPOSED BY THIS PARAGRAPH ALSO APPLY TO ANY AND ALL DUTIES OF INDEMNITY (EXPRESS AND/OR IMPLIED) OWED BY LANDLORD TO TENANT. AS USED IN THIS PARAGRAPH, REFERENCES TO "LANDLORD" INCLUDE ALL PERSONS AND ENTITIES WHO NOW OR HEREAFTER OWN OR MAY OWN AN INTEREST IN LANDLORD.

16. ASSIGNMENT AND SUBLETTING.

16.1. GENERALLY. Tenant shall not directly or indirectly assign this Lease in whole or in part, or sublet the Premises or any part thereof, or license the use of all or any portion of the Premises or business conducted thereon, or encumber or hypothecate this Lease, without first obtaining Landlord's written consent, which consent Landlord will not unreasonably withhold. The sale or other transfer of shares of stock, partnership interests or other ownership interests in Tenant resulting in a change in the effective control of Tenant, or any merger, consolidation or other reorganization of Tenant shall be regarded as an indirect assignment of Tenant's interest in this Lease. Tenant's request for consent to any assignment, sublease or other transfer shall be in writing and shall include the following: (a) the name and legal composition of the proposed transferee; (b) the nature of the proposed transferee's business to be carried on in the Premises; (c) the terms and provisions of the proposed assignment or sublease; and (d) such financial and other reasonable information as Landlord may request concerning the proposed transferee or concerning the proposed assignment or sublease and any transaction contemplated to occur in connection therewith. Any assignment, subletting, licensing, encumbering or hypothecating of this Lease without Landlord's prior written consent shall constitute a breach of this Lease entitling Landlord to exercise all its rights and remedies herein provided. Landlord's consent to any assignment or sublease shall not constitute a waiver of the necessity for such consent to any subsequent assignment or sublease. The prohibition against assignment and subletting contained in this paragraph shall be construed to include a prohibition against assignment or subletting by operation of law. Notwithstanding any assignment or subletting with Landlord's consent, unless agreed to in writing, Tenant shall remain fully liable on this Lease and shall not be released from its obligations hereunder. Without limiting other reasons or circumstances, Landlord and Tenant agree that it is reasonable for Landlord to withhold consent to an assignment or sublease, if (i) the financial strength of the proposed assignee is not, in Landlord's reasonable judgment, commensurate with the obligations of the Lease; (ii) the proposed assignee's use would, in Landlord's reasonable judgment, be incompatible with the then current tenants, or use of the rest of the property.

Notwithstanding anything in the above Paragraph 16.1, Tenant may, without Landlord's prior written consent sublet the Premises or assign the Lease to (i) a subsidiary, affiliate, division or corporation or entity controlling, controlled by or under common control with Tenant; (ii) a successor corporation or entity resulting from or related to Tenant by merger, consolidation, nonbankruptcy reorganization, or government action; or fill) a purchaser of substantially all of Tenant's assets or stock located in the Premises. A sale or transfer of Tenant's capital stock shall not be deemed an assignment, subletting or any other transfer of the Lease or the Premises.

16.2. TENANT'S PAYMENTS. In the event Landlord shall consent to a sublease or assignment under this paragraph 16, Tenant shall pay Landlord's reasonable attorney's fees incurred in connection with giving such consent. Tenant shall also pay to Landlord an amount equal to 50% of all excess rent received by Tenant directly or indirectly in respect of an assignment of this Lease or sublease of the Premises. For this purpose, "excess rent" shall mean, in the case of an assignment, all monies so received and, in the case of a sublease, all monies so received in excess of the rents and charges reserved under this Lease, provided however, that Tenant shall first be entitled to deduct therefrom all reasonable costs associated with effecting the assignment or sublease, including without limitation, brokerage fees, tenant improvements and rent concessions. The assignee or subleasee shall, upon assuming the obligations of Tenant under this Lease, become jointly and severally liable to Landlord for the payment of Landlord's share of excess rent.

17. DAMAGE OR DESTRUCTION.

17.1. RIGHT TO TERMINATE ON DESTRUCTION OF PREMISES. Landlord and Tenant shall each have the right to terminate this Lease if, during the term, the Premises or the improvements on the property are damaged to an extent exceeding 33% of the then reconstruction cost of the Premises as a whole, or such improvements as a whole, as the case may be. Landlord or Tenant shall also have the right to terminate this Lease if 33% of the Premises are damaged by an uninsured peril. In either case, Landlord or Tenant

may elect to terminate by written notice delivered within 30 calendar days of the happening of such damage. Such notice shall provide Tenant with a minimum of 60 days to vacate the Premises unless they are unsafe for occupancy, in which case, Tenant shall immediately vacate the Premises.

17.2. REPAIRS BY LANDLORD. If Landlord shall not elect to terminate this Lease pursuant to paragraph 17.1, Landlord shall immediately upon receipt of insurance proceeds paid in connection with such casualty, but in no event later than 180 calendar days after such damage has occurred, proceed to repair or rebuild the Premises, on the same plan and design and of equal quality and condition as existed immediately before such damage or destruction occurred, subject to such delays as may be reasonably attributable to governmental restrictions or failure to obtain materials or labor, or other causes beyond the control of Landlord. Tenant shall be liable for the repair and replacement of all fixtures, leasehold improvements installed hereafter, furnishings, merchandise, equipment and personal property not covered by the property insurance obtained pursuant to the provisions of this Lease.

17.3. REDUCTION OF RENT AND OPERATING EXPENSES DURING REPAIRS. Except with respect to damage caused in whole or in part by Tenant, its agents, servants, employees, invitees and guests, in the event Tenant is able to continue to conduct its business during the making of repairs, the rent then prevailing will be equitably reduced in the proportion that the unusable part of the Premises bears to the whole thereof for the period that repairs are being made. No rent or Operating Expenses shall be payable while the Premises are wholly unusable due to casualty damage except for casualty damage caused In whole or in part by Tenant, its employees, agents, servants, invitees and guests, in which event Tenant shall remain liable for rental payments.

17.4. WAIVER. Tenant hereby waives the provisions of Sections 1932, subdivision 2, and 1933, subdivision 4, of the Civil Code of California.

18. HAZARDOUS MATERIALS.

18.1. TENANT'S WARRANTIES. Tenant hereby represents, warrants and covenants that Tenant will comply with each of the following requirements:

18.1.1. RESTRICTIONS ON BRINGING HAZARDOUS MATERIALS ONTO THE PROPERTY. Except for normal quantities of office supplies and cleaning products and those Hazardous materials and quantities noted in the Tenant's Hazardous Material Management Plan filed with the city of Berkeley, for which no prior consent shall be required, during the term of this Lease, Tenant shall not cause or permit any Hazardous Material (as defined below) to be brought upon, used, kept or stored in, on, about or under the Property by Tenant, its agents, representatives, employees, contractors, invitees or subtenants, without the prior written consent of Landlord (which Landlord shall not unreasonably withhold). Tenant's use of any Hazardous Materials shall comply with all Environmental Health and Safety Requirements (as defined below) regulating such Hazardous Material and with the highest standards prevailing in the Tenant's industry for the use, keeping and storage of such Hazardous Material).

18.1.2. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS. If any Hazardous Material is brought upon, used, kept or stored in, on, about or under the Property by Tenant, its agents, representatives, employees, contractors, invitees or subtenants, then Tenant shall bear all financial and other responsibility for ensuring that such material shall be used, kept and stored in a manner which complies with all Environmental, Health and Safety Requirements regulating such Hazardous Material and with the highest standards prevailing in the Tenant's industry for the use, keeping and storage of such Hazardous Material. Without limiting any of the other obligations of Tenant set forth in this Lease, Tenant shall, at its own cost and expense, procure, maintain in effect and comply with all conditions and requirements of any and all permits, licenses and other governmental and regulatory approvals or authorizations required under any Environmental, Health or Safety Requirement In connection with the use, keeping and storage of such Hazardous Material in, on, about or under the Property.

Tenant shall submit to Landlord copies of all such permits, licenses, or other governmental or regulatory approvals or authorizations within five business days of its receipt thereof.

18.1.3. TENANT'S OBLIGATION TO EFFECT RESTORATION. If, as a result of actions caused or permitted by Tenant (and/or Tenant's agents, representatives, employees, contractors, invitees or subtenants), the presence of any Hazardous Material in, on, about or under the Property or any adjoining property, existing during the term of this Lease results in any contamination of the Property or the surrounding environment, Tenant shall promptly take all actions at its sole cost and expense as are necessary to return the Property and/or the surrounding environment to the condition required by Environmental Health and Safety requirements and governmental authorities ("Restoration"); provided, however, that tenant shall not undertake any Restoration without first providing Landlord with written notice thereof and obtaining Landlord's approval therefor, which approval shall be granted or denied in Landlord's sole and absolute discretion. Tenant shall carry out any approved restoration in a manner which complies with all Environmental, Health and Safety Requirements. Further, Tenant shall not undertake any Restoration, nor enter into any settlement agreement, consent decree or other compromise with respect to any claims, relating to any Hazardous Material in any way connected with the Property without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interest with respect thereto.

18.1.4. REMOVAL FROM PROPERTY. Upon the expiration or early termination of the term of this Lease, Tenant shall cause to be removed from the Property all Hazardous Materials existing in, on, about or under the Property brought upon, used kept or stored by Tenant (and/or Tenant's agents, representatives, employees, contractors, invitees or subtenants) as well as all receptacles or containers therefor, and shall cause such Hazardous Materials and such receptacles or containers to be stored, treated, transported and/or disposed of in compliance with all applicable Environmental, Health and Safety Requirements. Any Hazardous Materials, or receptacles or containers therefor, which Tenant causes to be removed from the Property shall be removed solely by duly licensed haulers and transported to and disposed of at duly licensed facilities for the final disposal of such Hazardous Materials and receptacles or containers therefor. Tenant shall deliver to Landlord copies of any and all manifests and other documentation relating to the removal, storage, treatment, transportation and/or disposal of any Hazardous Materials, or receptacles or containers therefor, reflecting the legal and proper removal, storage, treatment, transportation and/or disposal thereof. Tenant shall, at its sole cost and expense, repair any damage to the Property resulting from Tenant's removal of such Hazardous Materials and receptacles or containers therefor. Tenant's obligation to pay rent shall continue until Tenant completes such removal and effects such repairs.

18.1.6. TENANT'S WRITTEN CONFIRMATION. Tenant shall, from time to time throughout the term of this Lease, execute such affidavits, certificates or other documents as may be reasonably requested by Landlord concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials in, on, about or under the Property.

18.1.6. TENANT'S DUTY TO NOTIFY LANDLORD. Tenant shall notify Landlord in writing immediately upon becoming aware of: (1) any enforcement, cleanup, remediation or other action threatened, instituted or completed by any governmental or regulatory agency or private person with respect to the Property or any adjoining property relating to Hazardous Materials; (2) any claim threatened or made by any person against Tenant, the Landlord, the Property or any adjoining landowner, tenant or property for personal injury, compensation or any other matter relating to Hazardous Materials; and (3) any reports made by or to any governmental or regulatory agency with respect to the Property or any adjoining property relating to Hazardous Materials, including without limitation, any complaints, notices or asserted violations in connection therewith. Further, Tenant shall also supply to Landlord as promptly as possible, and in any event within five business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings, asserted violations or other documents relating in any way to the foregoing.

18.2. LANDLORD'S RIGHTS. Landlord and its agents and representatives shall have the right to communicate, verbally or in writing, with any governmental or regulatory agency or any environmental consultant on any matter with respect to the Property relating to Hazardous Materials. Landlord shall be entitled to copies of any and all notices, inspection reports or other documents issued by or to any such governmental or regulatory agency or consultant with respect to the Property relating to Hazardous Materials, excluding information and data that is proprietary or business confidential to Tenant.

18.3. TENANT'S DUTY TO INDEMNIFY. If the presence of Hazardous Materials on the Property is caused by the Tenant, then Tenant shall indemnify, defend and hold Landlord any partner or other affiliate of Landlord, and any director, officer, shareholder, employee, agent, attorney or partner of any of the foregoing, harmless from and against any and all claims, damages, penalties, fines, costs, liabilities and losses (including, without limitation, diminution in value of the Property, damages for the loss or restriction on use of rental or usable space or of any other amenity of the Property, damages arising from any adverse impact on marketing of space in the Property, other consequential damages and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees) which arise during or after the term of this Lease as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with removal or restoration work required by any governmental or regulatory agency or pursuant to any settlement agreement or judgement because of the presence of Hazardous Materials in the soil or groundwater in, on, about or under the Property or any adjoining Property caused by Tenant and any and all legal fees and expenses incurred by Landlord with respect to such claims, demands, investigation and response.

Landlord shall defend, indemnify, and hold harmless from and against any and all liability, loss, suits, claims, actions, costs and expense, including without limitation, any attorney's fees, arising from any contamination of the Premises or property (including the underlying land and ground water) by any Hazardous Materials, where such contamination was not caused by Tenant. The provisions of this paragraph shall survive the termination or expiration of this Lease.

18.4. LANDLORD'S RIGHT OF ENTRY. If contamination of the Property by Hazardous Materials occurs or if any lender or governmental agency requires an investigation to determine whether there has been any contamination of the Property or any adjoining property, then Landlord and its agents and representatives shall have the right, at any reasonable time and from time to time during the term of this Lease, with reasonable notice to enter upon the Property to perform monitoring, testing or other analyses (provided Landlord shall promptly restore the Premises), and to review any and all applicable documents, notices, correspondence or other materials. All costs and expenses reasonably incurred by Landlord in connection therewith shall become due and payable by Tenant if such investigation conclusively determines that Tenant has caused such contamination.

18.5. DEFINITIONS. As used herein, the following terms shall have the following meanings:

18.5.1. "HAZARDOUS MATERIAL": shall mean, without limitation, (1) petroleum or petroleum products; (2) hydrocarbon substances of any kind (3) asbestos in any form; (4) formaldehyde; (5) radioactive substances; (6) industrial solvents; (7) flammables; (8) explosives; (9) leakage from underground storage tanks; (10) substances defined as "hazardous substances", "hazardous materials", or "toxic substances" in (A) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 or as otherwise amended, 42 U.S.C. Section 9601, et seg., (6) Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seg. and any amendments thereto, or (C) the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seg. and any amendments thereto; (11) those substances defined as "hazardous wastes", "extremely hazardous wastes" or "restricted hazardous wastes" in Sections 25115, 25117, and 25122.7 or listed pursuant to Section 25140 of the California Health & Safety Code and any amendments thereto; (12) those substances defined as "hazardous substances" in

Section 25316 of the California Health & Safety Code and any amendments thereto; (13) those substances defined as "hazardous materials", "hazardous wastes" or "hazardous substances" in Sections 25501 and 25501.1 of the California Health & Safety Code and any amendments thereto; (14) those substances defined as "hazardous substances" under Section 25281 of the California Health & Safety Code and any amendments thereto; (15) those substances causing "pollution" or "contamination" or constituting hazardous substances" within the meaning of (A) the Clean Water Act, 33 U.S.C. 1251 et seg. and any amendments thereto, (B) the Porter-Cologne Water Quality Control Act, Section 13050 of the California Water Code and any amendments thereto, and (C) the Safe Drinking Water Act, 42 U.S.C. Section 300f et seg.; (16) such chemicals as are identified on the list published from time to time as provided in Chapter 6.6 of the California Health and Safety Code, as amended, as causing cancer or reproductive toxicity; (17) polychlorinated biphenyls (PCBs) set forth in the Federal Toxic Substance Control Act, as amended, 15 U.S.C. Section 2601 et seg.; (18) "toxic air contaminant" as defined in California Health and Safety Code Section 39655; and (19) the wastes, substances, materials, contaminants and pollutants identified pursuant to or set forth in the regulations adopted or judicial or administrative orders, decisions or decrees promulgated pursuant to any of the foregoing laws. The foregoing list of definitions and statutes is intended to be Illustrative and not exhaustive and such list shall be deemed to include all definitions, rules, regulations and laws applicable to the subject matter of this paragraph as such rules, laws, regulations and definitions may be amended, modified, or changes from time to time.

18.5.2. "ENVIRONMENTAL HEALTH AND SAFETY REQUIREMENT" shall mean any law, statute, ordinance, rule, regulation, order, judgment or decree promulgated by any local, regional, state or federal governmental agency, court, judicial or quasi-judicial body or legislative or quasi-legislative body which relates to matters of the environment, health, industrial hygiene or safety.

18.6. ALLOCATION OF RESPONSIBILITIES. ANY AND ALL LIABILITIES ARISING FROM THE MANUFACTURING, GENERATION, HANDLING, USE STORAGE, TREATMENT, TRANSPORTATION, DISPOSAL OR EXISTENCE OF HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT THE PROPERTY OR ANY ADJOINING PROPERTY DURING THE TERM OF THIS LEASE BY TENANT (INCLUSIVE OF ALL SUBTENANTS, ASSIGNEES, AGENTS, EMPLOYEES, INVITEES, GUESTS, LICENSEES AND AFFILIATES OF TENANT), SHALL AT ALL TIMES REMAIN THE SOLE RESPONSIBILITY OF TENANT AND TENANT SHALL RETAIN ANY AND ALL LIABILITIES ARISING THEREFROM. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS SECTION 18, ANY ACT BY LANDLORD OR ITS AGENTS OR REPRESENTATIVES HEREUNDER SHALL NOT CONSTITUTE AN ASSUMPTION BY LANDLORD OF ANY OBLIGATIONS, DUTIES, RESPONSIBILITIES OR LIABILITIES PERTAINING TO TENANT'S COMPLIANCE WITH ANY ENVIRONMENTAL, HEALTH OR SAFETY REQUIREMENT, WHICH TENANT SHALL RETAIN UNDER ALL CIRCUMSTANCES AND SHALL INDEMNIFY, DEFEND AND HOLD LANDLORD HARMLESS AS PROVIDED HEREIN. FURTHER, NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS SECTION 18 EVEN THOUGH HAZARDOUS MATERIALS REMOVED, TRANSPORTED AND DISPOSED OF BY TENANT MAY ORIGINATE FROM THE PROPERTY, TENANT SHALL REMAIN FULLY LIABLE FOR THEIR REMOVAL, TRANSPORTATION AND DISPOSAL AND SHALL INDEMNIFY, DEFEND AND HOLD LANDLORD HARMLESS WITH RESPECT TO SUCH HAZARDOUS MATERIALS AS PROVIDED HEREIN.

18.7. INSPECTIONS. Tenant warrants that all governmental inspections of the Property as required under the laws referenced above will be permitted. Tenant shall provide to Landlord a copy of the reports for each such inspection within 15 days of Tenant's receipt of such reports. Except in instances when governmental report of such inspection has been made within the last 12 month period, but no more frequently than every 12 months, at Landlord's request, Tenant shall obtain and deliver to Landlord an inspection by a private engineering firm, resulting in a written report specifying Tenant's compliance, or enumerating the reasons for Tenant's lack of compliance with such laws and regulations. If Tenant is in violation as demonstrated by the report tenant shall pay for the cost of the inspection and report. If Tenant is not in violation as demonstrated by the report, Landlord will pay for the cost of the inspection and report. Landlord may, from time to time, waive the requirements of an inspection by a private engineering firm

if Tenant's use of the Property is limited solely to offices and administrative uses.

18.8. COOPERATION. Tenant shall comply with any reasonable procedures or regulations promulgated by Landlord from time to time in connection with the matters covered by such laws and regulations provided that such procedures and regulations shall not unduly interfere with Tenant's business, and provided that Landlord shall have no duty to establish any procedures or regulations or to supervise in any way Tenant's activities on the Property.

18.9. SURVIVAL. The covenants, agreements and indemnities of Landlord and Tenant set forth in this section 18 shall survive the expiration or earlier termination of this Lease and shall not be affected by any investigation, or information obtained as a result of any investigation, by or on behalf of Landlord or any prospective Tenant.

18.10. STORAGE TANKS. Tenant further covenants and agrees that it shall not install any storage tank (that being one requiring any agency's permit), whether above or below the ground) on the Property without obtaining the prior written consent of the Landlord, which consent may be conditioned upon further requirements imposed by Landlord with respect to, among other things, compliance by Tenant with any applicable laws, rules, regulations or ordinances and safety measures or financial responsibility requirements.

18.11. LIMITATION ON TENANT'S LIABILITY FOR HAZARDOUS MATERIALS. Notwithstanding anything as may exist to the contrary in this paragraph 18 or elsewhere in this lease, Tenant shall not be liable or otherwise responsible for: (i) investigating, removing, remediating, cleaning up or otherwise responding to any hazardous material or associated contamination (a) which was present in, on, above, under or about the Premises, property or surrounding environment prior to Tenant's occupancy of the Premises, or (b) which was not brought onto the Premises, the property or surrounding environment by Tenant or its agents, employees, representatives, contractors, invitees or subtenants; or (ii) any claims, damages, penalties, fines, costs, liabilities, or losses arising from any Hazardous Material or associated contamination (a) which was present in, on, above, under or about the Premises, property or surrounding environment prior to Tenant's occupancy of the Premises, or (b) which was not brought onto the Premises, property or surrounding environment by Tenant or its agents, employees, representatives, contractors, invitees or subtenants.

19. MISCELLANEOUS PROVISIONS.

19.1. WAIVER. No waiver of any breach of any covenants or conditions of this lease shall be construed to be a waiver of any other breach or to be a consent to any further or succeeding breach of the same or other covenant or condition. The acceptance of rent hereunder by Landlord after Tenant's breach shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

19.2. SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the provisions hereof shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

19.3. NOTICES. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and either personally delivered, sent by commercial delivery service that provides confirmation of delivery, or sent by certified mail, return receipt requested, postage prepaid, properly addressed to the other party at the address set forth next to its signature below, or at such other address or addresses as may, from time to time, be designated in like manner by one party to the other. Any such notice shall be deemed given when personally delivered or on the date indicated on the post office's certified mail receipt of delivery.

19.4. PARTIAL INVALIDITY. If, for any reason, any provision of this Lease shall

be determined to be invalid or inoperative, the validity and effect of the other provisions of this lease shall not be affected.

19.5. NUMBER AND GENDER. All terms of this lease shall be construed to mean either the singular or the plural, masculine, feminine or neuter, as the situation may demand.

19.6. DESCRIPTIVE HEADINGS. The headings used herein and in any of the documents annexed hereto as schedules, lists or exhibits are descriptive only and for the convenience of identifying provisions, and are not determinative of the meaning or effect of any such provision.

19.7. TIME. In all matters, time is of the essence in the performance of all obligations under this lease.

19.8. ENTIRE AGREEMENT. This lease and the documents annexed hereto as schedules, lists or exhibits, constitute the entire agreement and understanding between the parties with respect to the subject matters addressed by this lease and the said attachment, and supersede and replace any prior agreements and understandings, whether oral or written, between and among them with respect to the lease of the premises, rental therefor, use thereof and all other such matters. The provisions of this lease may be waived, altered, amended or repealed in whole or in part only upon the written consent of Landlord and Tenant.

19.9. MEMORANDUM OF LEASE. Landlord and Tenant mutually agree that they will not file or record a copy of this lease, but that in the event either party requests a recording, Landlord and Tenant shall execute and acknowledge a memorandum of this lease in a form approved by the parties setting forth in said memorandum the description of the premises, the date of the lease, the commencement date and the date of termination. Said memorandum of lease may be recorded in the recorder's office of the county in which the premises are located.

19.10. APPLICABLE LAW. This lease shall be construed and interpreted in accordance with the laws of the State of California.

19.11. AUTHORITY. Each individual executing this lease on behalf of a corporation represents and warrants that he is duly authorized to execute and deliver this lease on behalf of the corporation in accordance with a duly adopted resolution of the board of directors of the corporation, and that this lease is binding upon said corporation in accordance with its terms. Each individual executing this lease on behalf of a partnership represents and warrants that he is duly authorized to execute and deliver this lease on behalf of the partnership and that this lease is binding upon said partnership in accordance with its terms.

19.12. LITIGATION EXPENSE. If any party shall bring an action or arbitration proceeding against any other party hereto by reason of the breach of any covenant, warranty, representation or condition hereof, or otherwise arising out of this lease or any schedule, list or exhibit hereto, whether for declaratory or other relief, the prevailing party in such suit shall be entitled to such party's costs of suit and attorneys' fees, which shall be payable whether or not such action is prosecuted to judgment.

19.13. SUBORDINATION OF LESSEHOLD. This lease is and shall be at all times, subject and subordinate to the lien of any mortgage or other encumbrances which Landlord may create against the Property, including all renewals, replacements and extensions. Tenant shall execute all written instruments which may be required by Landlord to subordinate Tenant's rights to the lien of such mortgage which obligation by Tenant is conditioned upon the holder of such lien providing to Tenant a written subordination, non disturbance, and attornment agreement, in a form reasonably acceptable to Tenant, providing, in essence, that as long as Tenant is not in default under the provisions of this lease (after notice and the expiration of any grace period provided for in the lease), the lender will, in the event of a foreclosure, recognize the interest of Tenant to remain in possession of the premises under the lease for the duration of the unexpired term (and any extensions provided for in this lease). Landlord shall use its best efforts to have all lenders currently secured by the Property to provide Tenant with a non disturbance agreement within 30 days of the date this lease is executed by

Landlord and Tenant.

19.14. TENANT'S CERTIFICATE. Within 15 days following Landlord's request, Tenant shall complete, execute and deliver to Landlord a Tenant's certificate or estoppel certificate, setting forth any information reasonably requested by Landlord, including, but not limited to, (a) certification that this Lease is unmodified and in full force and effect (or if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, (b) acknowledgment that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults, if any are claimed, and (c) setting forth the date of commencement and expiration of the term. Tenant's failure to deliver such certificate within said 15 days shall be deemed, for all purposes, to be an acknowledgement that Landlord is not in default under the Lease, and that the terms of the Lease have not been modified or supplemented in any way. It is intended that such certificate may be relied upon by any prospective purchaser, lender or assignee of any lender of the Premises.

19.15. ATTORNMENT. In the event of any sale of the Premises or if proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, any mortgage, installment land contract or deed of trust made by Landlord covering the Premises, Tenant shall attorn to the mortgage or the purchaser upon any such foreclosure or sale and recognize such mortgagee or purchaser as Landlord under this Lease provided such party has assumed in writing Landlord's obligations hereunder.

19.16. LANDLORD'S ESTATE. Tenant shall look only to Landlord's estate in the property of which the Premises are a part and the land on which it is located for the satisfaction of Tenant's remedies, or for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder, and no other property or assets of Landlord or its partners or principals, disclosed or undisclosed, shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use or occupancy of the Premises.

19.17. COMPLIANCE WITH LENDER'S REQUESTS. Tenant agrees to consent to reasonable amendments to this Lease from time to time as may be requested by any current or future mortgagee or holder of other encumbrance which Landlord may create against the Premises from time to time, provided that such amendments do not materially affect Tenant's financial obligations or its occupancy and use under this Lease or Landlord's obligations hereunder. Tenant agrees to timely supply financial information as reasonably requested by Landlord for lender's analysis of Tenant's financial condition as a condition of any encumbrance of the property. Tenant shall not be obligated to deliver financial statements of Tenant pursuant to Paragraph 19.17 more frequently than once every 12 months during the term hereof.

19.18. RESERVED.

19.19. LANDLORD'S LIEN. Notwithstanding anything to the contrary, Landlord waives any and all rights, title and interest Landlord now has, or hereafter may have, whether statutory or otherwise, to Tenant's inventory, equipment, furnishings, trade fixtures, books and records, and personal property paid for by Tenant located at the Premises (singly and/or collectively, the "Collateral"). Landlord acknowledges that Landlord has no lien, right, claim, interest or title in or to the Collateral. Landlord further agrees that Tenant shall have the right, at its discretion, to mortgage, pledge, hypothecate or grant a security interest in the Collateral as security for its obligations under any equipment lease or other financing arrangement related to the conduct of Tenant's business at the Premises. Landlord further agrees to execute and deliver within three (3) business days any UCC filing statement or other documentation required to be executed by Landlord In connection with any such lease or financing arrangement.

Notwithstanding the foregoing, all trade fixtures, signs, equipment, furniture, or other personal property of whatever kind and nature kept or installed on the Premises by Tenant shall not become the Property of Landlord or a part of the realty no matter how

affixed to the Premises and may be removed by Tenant at any time and from time to time during the entire term of this Lease. Upon request of Tenant or its assignees or any subtenant, Landlord shall execute and deliver any real estate consent or waiver forms submitted by any vendors, equipment lessors, chattel mortgagees, or holders or owners of any trade fixtures, signs, equipment, furniture, or other personal property of any kind and description kept or installed on the Premises setting forth that Landlord waives, in favor of the vendor, equipment lessor, chattel mortgagee, or any holder or owner, any superior lien, claim, interest or other right therein. Landlord shall further acknowledge that property covered by the consent or waiver forms is personal property and is not to become a part of the realty no matter how affixed thereto, and that such property may be removed from the Premises by the vendor, equipment lessor, chattel mortgagee, owner, or holder at any time upon default in the terms of such chattel mortgage or other similar documents, free and clear of any claim or lien of Landlord. Tenant shall promptly repair any damage and restore the portion of the Premises caused by the removal of such property, whether effected by Tenant or Tenant's vendors, chattel mortgagees, or equipment lessors.

19.20. SUBMISSION OF LEASE. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease nor does it create any obligation on Landlord's part until execution and delivery by both Landlord and Tenant.

19.21. ARBITRATION OF DISPUTES. IF ANY CONTROVERSY OR CLAIM BETWEEN THE PARTIES HERETO ARISES OUT OF THIS AGREEMENT, SUCH CONTROVERSY OR CLAIM SHALL BE SUBMITTED TO BINDING ARBITRATION. SUCH ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT UPON THE AWARD ENTERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1283.05 SHALL APPLY TO SUCH ARBITRATION. PUNITIVE DAMAGES SHALL NOT BE CLAIMED, CONSIDERED OR AWARDED.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISIONS DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OF JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

[SIG]	[MPB]
Initial	Initial

19.22. VENUE. Any action or arbitration brought to enforce or interpret the provisions of this Agreement shall be venued in Alameda County, California.

19.23. BROKERAGE. Tenant and Landlord represent that both sides have been represented by CB Commercial, whose commission shall be paid by Landlord.

19.24. PARKING. Tenant shall have nonexclusive rights to the use of three (3) parking spaces per thousand usable square feet of Tenant's Premises (defined as that portion of the Premises allocated to Tenant's exclusive use and exclusive of any common area allocated to Tenant), at no additional charge.

19.25. USE OF AMENITIES. Tenant shall have the right to an undivided use of, and access to, all common area amenities associated with the property on the same basis as provided to all tenants of the property.

19.26. DAYS. All references in this Lease to days shall refer to calendar days.

19.27. STRUCTURAL AND ADA COMPLIANCE. As of the commencement date, the construction to be performed by Landlord pursuant to paragraph 2.2 hereof and all structural parts of the Premises and the property including, without limitation, the foundation, roof, exterior walls, plumbing, electrical and other mechanical systems (a) will meet and comply with all federal, state, and local laws, ordinances and regulations and all handicapped accessibility standards, including, without limitation, those promulgated under the Americans With Disabilities Act, and (b) will be in good, workable and sanitary order, condition, and repair.

IN WITNESS WHEREOF, the parties have executed this Lease on the date and year first above written.

LANDLORD:	TENANT:
By: [ILLEGIBLE SIGNATURE]	By: /s/ M. P. Becket
Authorized Officer	Authorized Officer - CFO
	/s/ Michael P. Becket
Address for Notices:	Address for Notices:
1120 Nye Street, Suite 400 San Rafael, CA 94901	10835 Altman Row #500 San Diego, CA 92121
Date:	Date: 1/30/98

ADDENDUM TO LEASE
DATED JANUARY 30, 1998
BETWEEN
FIFTH & POTTER STREET ASSOCIATES LLC
AND
DYNAVAX TECHNOLOGIES CORPORATION
FOR PREMISES LOCATED AT
717 POTTER STREET, BERKELEY, CALIFORNIA

This Addendum to lease is attached to and forms a part of that certain Triple Net Laboratory Lease dated January 30, 1998 ("Lease"), by and between Fifth & Potter Street Associates LLC ("Landlord") and Dynavax Technologies Corporation ("Tenant") for premises on the first floor of the building located at 717 Potter Street, Berkeley, California. Words and terms that are defined in the Lease shall have the same meaning in this Addendum as the meaning provided in the Lease. In the event of any inconsistency between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

Section 1. Option to Term

(a) Landlord hereby grants Tenant an option (the "Extension Option") to extend the term of the Lease for one additional period of five (5) years, commencing immediately after the expiration of the initial term, upon the same terms and conditions contained in the Lease, except that (i) the base monthly rent for the Premises shall be equal to ninety-five percent (95 percent) of the fair market rent for the Premises determined in the manner set forth in subparagraph (b) below, (ii) Tenant shall accept the Premises in an "as is" condition without any obligation of landlord to repaint, remodel, repair, improve or alter the Premises; and (iii) there shall be no further options to extend the term of the Lease. The Extension Option shall be exercised, if at all, by notice from Tenant to Landlord in writing given no less than twelve (12) months prior to expiration for the initial term of the Lease. If Tenant properly exercises the Extension Option, references in the Lease to the term shall be deemed to include the option term unless the context clearly provides otherwise. Notwithstanding anything to the contrary contained herein, if Tenant is in default under any of the material terms, covenants or conditions of the lease, at the time Tenant exercises the Extension Option, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in the Lease, the right to terminate the Extension Option upon notice to Tenant, in which event the expiration date of the Lease shall be and remain the expiration date of the initial term.

(b) If Tenant properly exercises the Extension Option, the base monthly rent during the option term shall be determined in the following manner. The base monthly rent shall be increased to an amount equal to ninety-five percent (95 percent) of the fair market rent for the Premises as of the commencement of the option term for a term equal to the option term, as specified by Landlord by notice to Tenant not less than ninety (90) days prior to commencement of the option term, subject to Tenant's right of arbitration as set forth below. If Tenant believes that the fair market rent specified by Landlord exceeds the actual fair market rent for the Premises as of commencement of the option term, then Tenant shall so notify Landlord within thirty (30) days following receipt of Landlord's notice. If Tenant fails to so notify. Landlord within said thirty (30) day period, Landlord's determination of the fair market rent for the premises shall be final and binding upon the parties. If the parties are unable to agree upon the fair market rent for the premises within thirty (30) days after Landlord's receipt of notice of Tenant's objection, the amount of base monthly rent as of commencement of the option term shall be determined as follows:

(1) Within thirty (30) days after receipt of the Landlord's notice

specifying fair market rent, Tenant, at its sole expense, shall obtain and deliver in writing to Landlord a determination of the fair market basic rent for the Premises for a term equal to the option term from a broker ("Tenant's broker") licensed in the State of California and currently active in the market for research laboratory space in the Berkeley/Emeryville area. If Landlord accepts such determination, the base monthly rent for the option term shall be increased to an amount equal to ninety-five percent (95%) of the amount determined by Tenant's broker.

(2) If Landlord does not accept such determination, within ten (10) days after receipt of the determination of Tenant's broker, Landlord shall designate a broker ("Landlord's broker") licensed in the State of California and currently active in the market for research laboratory space in the Berkeley/Emeryville area. Landlord's broker and Tenant's broker shall name a third broker, similarly qualified, within five (5) days after the appointment of Landlord's broker. Each of said three brokers shall determine the fair market rent for the Premises as of the commencement of the option term for a term equal to the option term within twenty (20) days after the appointment of the third broker. The base rent payable by Tenant effective as of the commencement of the option term shall be increased to an amount equal to ninety-five percent of the arithmetic average of such three determinations; provided, however, that if any such broker's determination deviates more than 10% from the median of such determinations, the base monthly rent payable shall be an amount equal to ninety-five percent (95%) of the average of the two closest determinations.

(3) Landlord shall pay the costs and fees of Landlord's broker in connection with any determination hereunder, and Tenant shall pay the costs and fees of Tenant's broker in connection with such determination. The costs and fees of any third broker shall be paid one-half by landlord and one-half by Tenant.

(c) If the amount of the fair market rent is not known as of the commencement of the option term, then Tenant shall continue to pay the base monthly rent in effect at the expiration of the initial term until the amount of the fair market basic rent is determined. When such determination is made, Tenant shall pay any deficiency to Landlord upon demand.

Section 2. Option to Expand

(a) Subject to Tenant's payment of the Expansion Space Holding Cost as provided for hereinbelow, Landlord hereby grants to Tenant an option (the "Expansion Option") to lease the expansion area containing approximately 3,036 rentable square feet (which includes the adjustment provided for in Paragraph 2.1 of the Lease) as shown on Exhibit A to the Lease (the "Expansion Space"). The expansion Option shall be exercised, if at all, by notice from Tenant to Landlord in writing within six (6) months of the commencement date of the term of the Lease; provided, however, that if Tenant is in default under any of the material terms, conditions or covenants of the Lease, either at the time Tenant exercises, the Expansion Option or when Landlord delivers the Expansion Space, Landlord shall have, in addition to the rights and remedies provided in the Lease, the right to terminate the Expansion Option.

(b) If Tenant elects to exercise the Expansion Option, Landlord shall provide Tenant with an improvement allowance equal to $70.00 per usable square foot of space in the Expansion Space, and the Expansion Space shall be built out by landlord in accordance with the terms of Exhibit B to the Lease (with appropriate changes to reflect build-out of the Expansion Space, as opposed to the initial Premises). Landlord shall deliver possession of the Expansion Space to Tenant for occupancy upon completion of the build-out of the Expansion Space; but in no event later than 2 Months from Tenant's exercise of the Expansion Option and, upon such delivery, the Expansion Space shall be deemed to be a part of the Premises and shall be leased upon and subject to all of the terms, covenants and conditions of, and at the base monthly rental rate provided for in, the Lease; and

the square footage of the Premises (which includes the adjustment provided for in Paragraph 2.1 of the Lease) and Tenant's Pro Rata Share shall be appropriately adjusted.

(c) Landlord's grant of the Expansion Option is subject to and conditioned upon Tenant's payment to Landlord of a monthly amount to hold the Expansion Space off the market, said monthly amount being equal to $.83 per rentable square foot of the Expansion Space (which includes the adjustment provided for in Paragraph 2.1 of the Lease) plus Tenant's Pro Rata Share attributable to the Expansion Space (collectively, the "Expansion Space Holding Costs"), for the period from the commencement date of the Lease to the date Tenant exercises its option for the Expansion Space or the date Tenant notifies Landlord that Tenant elects to terminate the Expansion Option. Expansion Space Holding Costs shall be payable monthly, in advance, in accordance with the terms of, and as additional rent owing under, the Lease.

Section 3. Temporary Office Space

From February 1, 1998, through the commencement date of the Lease (the "Pre-Occupancy Period"), Landlord (or an affiliate of Landlord) shall provide Tenant with approximately 300 square feet of space on the first floor of the building located at 800 Heinz Street, Berkeley, California, for use by three (3) employees of Tenant (the "Temporary Space"). Tenant shall take the Temporary Space on an "As-Is" basis. Monthly rent for the Temporary Space shall be $275 per month fully serviced from lease execution through occupancy of the finished spaces, payable on the first day of each month during the Pre-Occupancy Period. Tenant's occupancy of the Temporary Space shall be on all of the terms and conditions as specified in the Lease for Tenant's Occupancy of the Premises; and prior to Tenant's occupancy of the Temporary Space, Tenant shall deliver to Landlord certificates of Tenant's liability insurance coverage for the Temporary space showing Landlord (and the owner of the building, if other than Landlord) as an additional insured thereunder.

Section 4. Accommodation of Tenant's Additional Space Requirement

In the event that Tenant exercises the Expansion Option and occupies the Expansion Space as provided in Section 2 above, Tenant shall thereafter have the following additional expansion right:

(a) On or before the second anniversary of the commencement date of the Lease, Tenant may notify Landlord in writing (the "Additional Expansion Notice") that Tenant desires to lease additional space for its business operations. Tenant shall specify in said Additional Expansion Notice the amount of additional space that Tenant needs (the "Additional Space Requirement"); provided, however, that Tenant must specify an Additional Space Requirement of not less than 5,000 square feet.

(b) If Tenant delivers the Additional Expansion Notice to Landlord, during the six (6) month period from the 25th month to the 30th month of the term of the Lease, Landlord shall attempt to make available to Tenant sufficient space to satisfy the Additional Space Requirement either within the Building or within another generally comparable building in the Emeryville/Berkeley area that is owned or operated by Wareham Property Group, Inc. or an affiliate thereof (collectively, "Wareham").

(c) If the Additional Space Requirement can be satisfied within said six (6) month period, Landlord or Wareham, as the case may be, shall offer such space for lease to Tenant on such terms and conditions as are then currently being quoted by Landlord or Wareham for such space, including, without limitation, rental rates, term and tenant improvement allowance. Tenant shall accept or reject any such offer within five (5) business days after receipt thereof.

(d) If such an offer for the Additional Space Requirement is made to Tenant within said six (6) month period and Tenant does not accept such offer, Tenant's rights under this Section 4 shall terminate, Tenant shall have no further right with respect to the Additional Space Requirement, and the Lease shall remain in full force and effect.

(e) If such an offer for the Additional Space Requirement is not made to Tenant within said six (6) month period, Tenant shall have the right to terminate this Lease upon the following conditions:

(i) Tenant must notify Landlord of such termination within ninety (90) days after the expiration of such six (6) month period.

(ii) In the event Tenant so notifies Landlord of such termination, the Lease shall terminate within ninety (90) days after Landlord's receipt of such notice.

(iii) In the event Tenant fails to so notify Landlord of such termination, Tenant's right to terminate the Lease shall expire and the Lease shall remain in full force and effect.

(f) Notwithstanding anything set forth hereinabove, if Tenant is in default of any of the material terms, conditions or covenants of the Lease at the time Tenant delivers the Additional Expansion Notice, Landlord shall have, in addition to the rights and remedies provided in the Lease, the right to terminate all of Tenants rights under this Section 4 with respect to the Additional Space Requirement, including, without limitation, any right to terminate the lease pursuant to subparagraph (e) above.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Addendum to Lease as of the date set forth above.

TENANT:	LANDLORD:
Dynavax Technologies Corporation, a California Corporation	Fifth & Potter Street Associates LLC, a California Limited Liability Company
By M.P. Becket	By [ILLEGIBLE]
Its: CFO	Its:

EXHIBIT A

[FLOOR PLAN]

Exhibit B

Work Letter
Initial Improvement of Premises

1. Tenant Improvements

Prior to the Commencement Date, at its sole cost and expense, Landlord, through Its General Contractor, shall furnish and install within the Premises those items of general construction (the "Tenant Improvements") shown on the plans and specifications finally approved by Landlord and Tenant in writing pursuant to Paragraph 5 below. Such construction shall be performed in a good and workmanlike manner and in compliance with all applicable codes and regulations ("Code Requirements").

2. Cost of the Improvements

(a) Based upon a Tenant Improvement build out that is approximately 50% office and 50% laboratory, and substantially the same in function and finish as the Bayer Laboratories build-out on the second floor of the Building, Landlord will construct the Tenant Improvements on a turnkey basis.

(b) If there is a material change to the functions or finish of the Tenant Improvements to be constructed in the Premises from that described in subparagraph (a), based upon the Final Plans and Specifications approved by Tenant, or if Tenant requests any changes after approval of the Final Plans and Specifications, the cost thereof shall be the responsibility of Tenant to the extent the cost exceeds the cost of the initial plans and specs.

3. Plans and Specifications

(a) Landlord, at its cost, through its architects, shall furnish all architectural and engineering plans and specifications (the "Plans and Specifications") required for the construction of the Tenant Improvements. Tenant shall provide instruction to Landlord's architects sufficient to enable landlord's architects to complete Plans and Specifications in accordance with Paragraph 5 below. All Plans and Specifications are subject to Landlord's approval, which Landlord agrees shall not be unreasonably withheld. Tenant reserves the right to review and approve final plans.

(b) Any architectural or engineering services for Tenant's Work referred to in Paragraph 4 below or interior design services in excess of Building standards, such as selection for colors, furnishings or floor coverings shall be at Tenant's sole cost.

4. Tenant's Work

Any items or work not shown in the Final Plans and Specifications approved as provided in Paragraph 5, including, for example, telephone or telecommunications service or furnishings, for which Tenant contracts separately (hereinafter) "Tenant Work"), shall be subject to Landlord's reasonable policies and schedules and shall be conducted in such a way as not to hinder, cause any disharmony with or unreasonable or substantial. delay work of improvement in the Building. Tenant's major suppliers, contractors, workmen and mechanics shall be subject to approval by Landlord not to be unreasonably withheld prior to the commencement of their work and shall be subject to Landlord's administrative control while performing their work. Tenant shall cause its suppliers and

contractors to engage only labor that is harmonious and compatible with other labor working in the Building. In the event of any labor disturbance caused by persons employed by Tenant or Tenant's contractor, Tenant shall immediately take all actions necessary to eliminate such disturbance. At any time any supplier, contractor, workmen or mechanic performing Tenant's work hinders or delays any other work of improvement in the Building or performs any work which may or does substantially impair the quality, integrity or performance or any portion of the Building, Tenant shall cause such supplier, contractor, workman or mechanic to leave the Building and remove all his tools, equipment and materials immediately upon written notice delivered to Tenant and Tenant shall reimburse Landlord for any repairs or corrections of the Tenant Improvements or Tenant's work or of any portion of the Building caused by or resulting from the work of any supplier, contractor, workman or mechanic with whom Tenant contracts.

5. Approval of Plans and Specifications

Landlord's architect, in consultation with Tenant, shall prepare a space plan for the build-out of the Premises consistent with the standard of improvement described in Paragraph 2 (a) above. Such space plan must be finalized and approved by Landlord and Tenant no later than January 30, 1998. Tenant will have at least five (5) business days to approve plans and any subsequent revision. Thereafter, Landlord's architect will prepare working drawings for the Tenant Improvements based upon the approved space plan, and the same shall be submitted to Tenant. Tenant shall approve such Plans and Specifications within five (5) business days of receipt or designate by written notice to Landlord the specific changes required to be made to the Plans and Specifications, which changes, if approved by landlord, shall be made by Landlord as soon as reasonably possible. This procedure shall be repeated until the Plans and Specifications are finally approved by Tenant (the "Final Plans and Specifications");

6. Completion and Commencement Date

The term of the Lease and Tenant's obligation for the payment of rent under the Lease shall commence in accordance with Paragraph 1.1 of the Lease. The parties acknowledge and agree that the anticipated commencement date is March 30, 1998. If Landlord shall be delayed in substantially completing the Tenant Improvements as a result of:

(a) Tenant's failure to timely furnish complete instructions or approvals in accordance with the procedures set forth in Paragraph 5, or

(b) Tenant's changes to Final Plans and Specifications after final approval thereof, or

(c) Tenant's request for materials, finishes, or installations other than as described in Paragraph 2 (a) above, or

(d) Hindrance or disruption of work of Landlord's contractor resulting from Tenant's Work.

then the commencement date of the Lease and Tenant's obligation for the payment of rent shall be advanced by the number of days of such delay offset by the number of days attributable to Landlord Delays.

7. Payment

Tenant shall pay to landlord as additional rent all amounts due under the terms of this Exhibit B within twenty (20) days following delivery of Landlord's invoice, therefore, which invoices shall be rendered monthly or at such other intervals as Landlord shall determine.

8. Tenant's Representative

Mike Becket shall act as Tenant's representative in all matters to be covered by this Work Letter. Such representative shall act on behalf of Tenant in connection with the issuance of any approvals or disapproval$ to be made or given by Tenant under the terms of this Work Letter and the making of any other communications required or permitted under the terms of this Work Letter. Landlord shall be entitled to rely upon any approval or disapproval issued, or other communication made, by Tenant's representative.

Exhibit 10.11

(DYNAVAX TECHNOLOGIES LOGO)

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AND SEVERANCE AGREEMENT

This Management Continuity and Severance Agreement (the "Agreement") is dated as of October 15, 2003, by and between Dino Dina, MD, President and Chief Executive Officer, Dynavax Technologies Corporation ("Employee"), and Dynavax Technologies Corporation, a California corporation (the "Company" or "Dynavax").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat, or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control and independent of a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control or an employment termination.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants, and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award, or compensation other than as provided in this Agreement, and as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The terms of this

Agreement shall terminate upon the earlier of: (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an Involuntary Termination by the Company without Cause; or (ii) the date that all obligations of the parties hereunder have been satisfied. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(b) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company (the Employee's employment does not end by reason of Involuntary Termination), then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(c) INVOLUNTARY TERMINATION. If Employee's employment is terminated for Involuntary Termination, then the Employee shall be entitled to: (1) twelve (12) months of Employee's then current annual base salary (less appropriate withholding deductions) to be paid over 12 months in accordance with the Company's payroll cycle; (2) twelve (12) months of COBRA Continuation paid by the Company if COBRA Continuation is elected; (3) an additional twelve (12) months vesting of employee's stock option to purchase the Company's Common Stock; and (4) as per the Dynavax Technologies 1997 Stock Option Plan, ninety (90) days to exercise vested options.

(d) TERMINATION FOR DEATH OR DISABILITY. If Employee's employment terminates due to Employee's death, then Employee's beneficiary will receive any salary earned (less appropriate withholding deductions) through the date of termination of employment. If Employee's employment terminates due to becoming disabled, all salaries due to Employee will be paid through the date of inception of Employee's disability.

In the event of termination for either death or disability, the exercise period of all vested options granted to Employee by the Company is extended to twelve (12) months from the date of termination of employment.

3. BENEFITS UPON A CHANGE OF CONTROL.

(a) TREATMENT OF STOCK OPTIONS. In the event of a Change of Control and the Employee: (i) is offered and accepts a position with the New Company, or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the effective date of the Change of Control an additional two (2) years vesting of Employee's stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended. "New Company," as used in this section, shall mean: (a) in the case of a Change of Ownership (as defined in Section 4(a)(i) below), the Company; (b) in the case of a Merger (as defined in Section 4(a)(ii) below), the surviving entity; or (c) in the case of a Sale of Assets (as described in section 4(a)(ii) below), the purchaser of all or substantially all of the Company's assets.

(b) SEVERANCE. In the event that Employee's employment is terminated within twenty-four (24) months of a Change of Control, the Employee shall be entitled to: (1) twelve (12) months of Employee's then current annual base salary, less applicable withholding deductions to be paid over 12 months in accordance with the Company's payroll cycle; (2) a lump-sum cash payment equal to the Employee's target incentive bonus of forty percent (40%) (or such higher percentage then in effect under the management incentive program or other similar bonus program) of the Employee's then current annual base salary, less applicable withholding deductions; and (3) twelve (12) months Company-paid COBRA continuation coverage upon Employee's election of COBRA Continuation Coverage.

4. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) CHANGE OF OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) CAUSE. "Cause" shall mean: (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company, where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries; (ii) repeated unexplained or unjustified absence from the Company; (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company; or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall mean: (i) any termination by the Company other than for Cause; (ii) Employee's voluntary termination following a material reduction or change in job duties, responsibilities, and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities, and requirements, or a change in the level of management to which the Employee reports; (iii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iv) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

5. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not entered, and will not during the term of this Agreement enter, into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

6. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation, or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.

7. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

8. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived, or discharged unless the modification, waiver, or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations, or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof, except as set forth in the employment offer letter from the Company to the Employee dated June 10, 2003. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees, and other fees incurred in connection with this Agreement. This means the Company pays its own legal fees in connection with this Agreement and the Employee is responsible for his

own legal fees in connection with this Agreement. However, the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment, or other creditor's process, and any action in violation of this Section 8(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that such assignee is the employer of the Employee. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee except that the term "Company" shall continue to mean Dynavax Technologies Corporation with regard to the definition of a Change of Control.

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

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Illegible

Title: Chairman of the Board

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

DINO DINA, MD

Signature: /s/ Dino Dina

Address: 6140 Buena Vista Avenue
Oakland, CA 94618

Exhibit 10.12

(DYNAVAX TECHNOLOGIES LOGO)

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AND SEVERANCE AGREEMENT

This Management Continuity and Severance Agreement (the "Agreement") is dated as of 9/2, 2003 by and between Daniel Levitt, MD, PhD., Vice President and Chief Medical Officer, Dynavax Technologies Corporation ("Employee") and Dynavax Technologies Corporation., a California corporation (the "Company" or "Dynavax").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control and independent of a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control or an employment termination.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, and as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The terms of this

Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an Involuntary Termination by the Company without Cause or (ii) the date that all obligations of the parties hereunder have been satisfied. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(b) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company (the Employee's employment does not end by reason of Involuntary Termination), then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(c) INVOLUNTARY TERMINATION. If Employee's employment is terminated for Involuntary Termination, then the Employee shall be entitled to: (1) a lump sum cash severance payment equal to six (6) months of Employee's then current annual base salary (less appropriate withholding deductions); (2) six months of COBRA Continuation paid by the Company if COBRA Continuation is elected; (3) an additional six months vesting of employee's stock option to purchase the Company's Common Stock; and (4) as per the Dynavax Technologies 1997 Stock Option Plan, ninety days to exercise vested options.

(d) TERMINATION FOR DEATH OR DISABILITY. If Employee's employment terminates due to Employee's death, then Employee will receive any salary earned (less appropriate withholding deductions) through the date of termination of employment. If Employee's employment terminates due to becoming disabled, all salaries due to Employee will have been paid through the date of inception of Employee's disability.

In the event of either termination for death or disability, the exercise period of all vested options granted to Employee by the Company is extended to twelve (12) months from the date of termination of employment.

3. BENEFITS UPON A CHANGE OF CONTROL.

(a) TREATMENT OF STOCK OPTIONS. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company , or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended. "New Company", as used in this section shall mean: (a) in the case of a Change of Ownership (as defined in Section 4(a)(i) below), the Company; (b) in the case of a Merger (as defined in Section 4(a)(ii) below), the surviving entity; or (c) in the case of a Sale of Assets (as described in section 4(a)(ii) below), the purchaser of all or substantially all of the Company's assets.

(b) SEVERANCE. In the event that Employee's employment is terminated within twenty-four (24) months of a Change of Control, the Employee shall be entitled to: (1) a lump sum cash severance payment equal to twelve (12) months of Employee's then current annual base salary (less applicable withholding deductions); (2) a lump sum cash payment equal to the Employee's target incentive bonus of 40% (less applicable withholding deductions) {or such higher percentage then in effect under the management incentive program or other similar bonus program} of the Employee's then current annual base salary; and (3) twelve (12) months Company-paid COBRA continuation coverage upon Employee's election of COBRA Continuation Coverage.

4. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) CHANGE OF OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the

Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall mean (i) any termination by the Company other than for Cause; (ii) Employee's voluntary termination following a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in the level of management to which the Employee reports; (iii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iv) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

5. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

6. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

8. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof except as set forth in the employment offer letter from the Company to the Employee dated June 10, 2003. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement. This means the Company pays its own legal fees in connection with this Agreement and the Employee is responsible for his

own legal fees in connection with this Agreement. Although, the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that such assignee is the employer of the Employee. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee except that the term "Company" shall continue to mean Dynavax Technologies Corporation with regard to the definition of a Change of Control.

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

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

DANIEL LEVITT, MD, PHD

Signature: /s/ Daniel Levitt

Address: 50 Parker Avenue
San Francisco, CA 94118

[DYNAVAX LOGO]

Exhibit 10.13

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AND SEVERANCE AGREEMENT

This Management Continuity and Severance Agreement (the "Agreement") is dated as of August 1, 2003 by and between William J. Dawson, Vice President, Finance & Operations, and Chief Financial Officer, Dynavax Technologies Corporation ("Employee") and Dynavax Technologies Corporation., a California corporation (the "Company" or "Dynavax").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control and independent of a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control or an employment termination.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in

this Agreement, and as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an Involuntary Termination by the Company without Cause or (ii) the date that all obligations of the parties hereunder have been satisfied. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(b) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company (the Employee's employment does not end by reason of Involuntary Termination), then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(c) INVOLUNTARY TERMINATION. If Employee's employment is terminated for Involuntary Termination, then the Employee shall be entitled to: (1) a lump sum cash severance payment equal to six (6) months of Employee's then current annual base salary (less appropriate withholding deductions); (2) six months of COBRA Continuation paid by the Company if COBRA Continuation is elected; (3) an additional six months vesting of employee's stock option to purchase the Company's Common Stock; and (4) as per the Dynavax Technologies 1997 Stock Option Plan, ninety days to exercise vested options.

(d) TERMINATION FOR DEATH OR DISABILITY. If Employee's employment terminates due to Employee's death, then Employee will receive any salary earned (less appropriate withholding deductions) through the date of termination of employment. If Employee's employment terminates due to becoming disabled, all salaries due to Employee will have been paid through the date of inception of Employee's disability.

In the event of either termination for death or disability, the exercise period of all vested options granted to Employee by the Company is extended to twelve (12) months from the date of termination of employment.

3. BENEFITS UPON A CHANGE OF CONTROL.

(a) TREATMENT OF STOCK OPTIONS. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company , or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended. "New Company", as used in this section shall mean: (a) in the case of a Change of Ownership (as defined in Section 4(a)(i) below), the Company; (b) in the case of a Merger (as defined in Section 4(a)(ii) below), the surviving entity; or (c) in the case of a Sale of Assets (as described in section 4(a)(ii) below), the purchaser of all or substantially all of the Company's assets.

(b) SEVERANCE. In the event that Employee's employment is terminated within twenty-four (24) months of a Change of Control, the Employee shall be entitled to: (1) a lump sum cash severance payment equal to twelve (12) months of Employee's then current annual base salary (less applicable withholding deductions); (2) a lump sum cash payment equal to the Employee's target incentive bonus of 40% (less applicable withholding deductions) {or such higher percentage then in effect under the management incentive program or other similar bonus program} of the Employee's then current annual base salary; and (3) twelve (12) months Company-paid COBRA continuation coverage upon Employee's election of COBRA Continuation Coverage.

4. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) CHANGE OF OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall mean (i) any termination by the Company other than for Cause; (ii) Employee's voluntary termination following a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in the level of management to which the Employee reports; (iii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iv) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

5. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

6. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

8. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof except as set forth in the employment offer letter from the Company to the Employee dated June 10, 2003. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement. This means the Company pays its own legal fees in connection with this Agreement and the Employee is

responsible for his own legal fees in connection with this Agreement. Although, the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that such assignee is the employer of the Employee. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee except that the term "Company" shall continue to mean Dynavax Technologies Corporation with regard to the definition of a Change of Control.

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

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO
Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

WILLIAM DAWSON

Signature: /s/ William Dawson

Address: Six Emlin Place
Kentfield, CA 94605

[DYNAVAX LOGO]

EXHIBIT 10.14

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AND SEVERANCE AGREEMENT

This Management Continuity and Severance Agreement (the "Agreement") is dated as of August 1, 2003 by and between Stephen Tuck, PhD, Vice President, Biopharmaceutical Development, Dynavax Technologies Corporation ("Employee") and Dynavax Technologies Corporation., a California corporation (the "Company" or "Dynavax").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control and independent of a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control or an employment termination.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, and as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The

terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an Involuntary Termination by the Company without Cause or (ii) the date that all obligations of the parties hereunder have been satisfied. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(b) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company (the Employee's employment does not end by reason of Involuntary Termination), then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(c) INVOLUNTARY TERMINATION. If Employee's employment is terminated for Involuntary Termination, then the Employee shall be entitled to: (1) a lump sum cash severance payment equal to six (6) months of Employee's then current annual base salary (less appropriate withholding deductions); (2) six months of COBRA Continuation paid by the Company if COBRA Continuation is elected; (3) an additional six months vesting of employee's stock option to purchase the Company's Common Stock; and (4) as per the Dynavax Technologies 1997 Stock Option Plan, ninety days to exercise vested options.

(d) TERMINATION FOR DEATH OR DISABILITY. If Employee's employment terminates due to Employee's death, then Employee will receive any salary earned (less appropriate withholding deductions) through the date of termination of employment. If Employee's employment terminates due to becoming disabled, all salaries due to Employee will have been paid through the date of inception of Employee's disability.

In the event of either termination for death or disability, the exercise period of all vested options granted to Employee by the Company is extended to twelve (12) months from the date of termination of employment.

3. BENEFITS UPON A CHANGE OF CONTROL.

(a) TREATMENT OF STOCK OPTIONS. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company , or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended. "New Company", as used in this section shall mean: (a) in the case of a Change of Ownership (as defined in Section 4(a)(i) below), the Company; (b) in the case of a Merger (as defined in Section 4(a)(ii) below), the surviving entity; or (c) in the case of a Sale of Assets (as described in section 4(a)(ii) below), the purchaser of all or substantially all of the Company's assets.

(b) SEVERANCE. In the event that Employee's employment is terminated within twenty-four (24) months of a Change of Control, the Employee shall be entitled to: (1) a lump sum cash severance payment equal to twelve (12) months of Employee's then current annual base salary (less applicable withholding deductions); (2) a lump sum cash payment equal to the Employee's target incentive bonus of 40% (less applicable withholding deductions) {or such higher percentage then in effect under the management incentive program or other similar bonus program} of the Employee's then current annual base salary; and (3) twelve (12) months Company-paid COBRA continuation coverage upon Employee's election of COBRA Continuation Coverage.

4. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) CHANGE OF OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall mean (i) any termination by the Company other than for Cause; (ii) Employee's voluntary termination following a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in the level of management to which the Employee reports; (iii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iv) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

5. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

6. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

8. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof except as set forth in the employment offer letter from the Company to the Employee dated June 10, 2003. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement. This means the Company pays its own legal fees in connection with this Agreement and the Employee is

responsible for his own legal fees in connection with this Agreement. Although, the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that such assignee is the employer of the Employee. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee except that the term "Company" shall continue to mean Dynavax Technologies Corporation with regard to the definition of a Change of Control.

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

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

STEPHEN TUCK, PHD

Signature: /s/ Stephen Tuck, PhD

Address: 1742 Woodhaven Way
Oakland, CA 94611

[DYNAVAX LOGO]

EXHIBIT 10.15

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AND SEVERANCE AGREEMENT

This Management Continuity and Severance Agreement (the "Agreement") is dated as of August 1, 2003 by and between Robert Lee Coffman, PhD, Vice President and Chief Scientific Officer, Dynavax Technologies Corporation ("Employee") and Dynavax Technologies Corporation., a California corporation (the "Company" or "Dynavax").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control and independent of a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control or an employment termination.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, and as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The

terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an Involuntary Termination by the Company without Cause or (ii) the date that all obligations of the parties hereunder have been satisfied. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(b) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company (the Employee's employment does not end by reason of Involuntary Termination), then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(c) INVOLUNTARY TERMINATION. If Employee's employment is terminated for Involuntary Termination, then the Employee shall be entitled to: (1) a lump sum cash severance payment equal to six (6) months of Employee's then current annual base salary (less appropriate withholding deductions); (2) six months of COBRA Continuation paid by the Company if COBRA Continuation is elected; (3) an additional six months vesting of employee's stock option to purchase the Company's Common Stock; and (4) as per the Dynavax Technologies 1997 Stock Option Plan, ninety days to exercise vested options.

(d) TERMINATION FOR DEATH OR DISABILITY. If Employee's employment terminates due to Employee's death, then Employee will receive any salary earned (less appropriate withholding deductions) through the date of termination of employment. If Employee's employment terminates due to becoming disabled, all salaries due to Employee will have been paid through the date of inception of Employee's disability.

In the event of either termination for death or disability, the exercise period of all vested options granted to Employee by the Company is extended to twelve (12) months from the date of termination of employment.

3. BENEFITS UPON A CHANGE OF CONTROL.

(a) TREATMENT OF STOCK OPTIONS. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company , or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended. "New Company", as used in this section shall mean: (a) in the case of a Change of Ownership (as defined in Section 4(a)(i) below), the Company; (b) in the case of a Merger (as defined in Section 4(a)(ii) below), the surviving entity; or (c) in the case of a Sale of Assets (as described in section 4(a)(ii) below), the purchaser of all or substantially all of the Company's assets.

(b) SEVERANCE. In the event that Employee's employment is terminated within twenty-four (24) months of a Change of Control, the Employee shall be entitled to: (1) a lump sum cash severance payment equal to twelve (12) months of Employee's then current annual base salary (less applicable withholding deductions); (2) a lump sum cash payment equal to the Employee's target incentive bonus of 40% (less applicable withholding deductions) {or such higher percentage then in effect under the management incentive program or other similar bonus program} of the Employee's then current annual base salary; and (3) twelve (12) months Company-paid COBRA continuation coverage upon Employee's election of COBRA Continuation Coverage.

4. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) CHANGE OF OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall mean (i) any termination by the Company other than for Cause; (ii) Employee's voluntary termination following a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in the level of management to which the Employee reports; (iii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iv) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

5. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

6. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

8. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof except as set forth in the employment offer letter from the Company to the Employee dated June 10, 2003. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement may be settled at the option of either party by binding arbitration in the County of Alameda, California, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator. The judgment may be entered on the arbitrator's award in any court having jurisdiction. Punitive damages shall not be awarded.

(g) LEGAL FEES AND EXPENSES. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with this Agreement. This means the Company pays its own legal fees in connection with this Agreement and the Employee is

responsible for his own legal fees in connection with this Agreement. Although, the arbitrator may award legal fees and expenses in connection with any arbitration as deemed appropriate.

(h) NO ASSIGNMENT OF BENEFITS. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 11(h) shall be void.

(i) EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(j) ASSIGNMENT BY COMPANY. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company; provided, however, that such assignee is the employer of the Employee. In the case of any such assignment, the term "Company" when used in a section of this Agreement shall mean the corporation that actually employs the Employee except that the term "Company" shall continue to mean Dynavax Technologies Corporation with regard to the definition of a Change of Control.

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

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

ROBERT LEE COFFMAN, PHD

Signature: /s/ Robert Lee Coffman, PhD

Address: 239 ECHO LANE
PORTOLA VALLEY, CA 94028

[DYNAVAX LOGO]

EXHIBIT 10.16

DYNAVAX TECHNOLOGIES CORPORATION

MANAGEMENT CONTINUITY AND SEVERANCE AGREEMENT

This Management Continuity and Severance Agreement (the "Agreement") is dated as of August 1, 2003 by and between Gary Van Nest, PhD, Vice President, Biopharmaceutical Development, Dynavax Technologies Corporation ("Employee") and Dynavax Technologies Corporation., a California corporation (the "Company" or "Dynavax").

RECITALS

A. It is expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors. The Board of Directors recognizes that such consideration can be a distraction to Employee and can cause Employee to consider alternative employment opportunities. The Board of Directors has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication and objectivity of the Employee, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Company's Board of Directors believes it is in the best interests of the Company to retain Employee and provide incentives to Employee to continue in the service of the Company.

C. The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon a Change of Control and, under certain circumstances, upon termination of Employee's employment in connection with a Change of Control and independent of a Change of Control, which benefits are intended to provide Employee with encouragement to Employee to remain with the Company, notwithstanding the possibility of a Change of Control or an employment termination.

D. To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement, and as may otherwise be available in accordance with the terms of the Company's established employee plans and written policies at the time of termination. The

terms of this Agreement shall terminate upon the earlier of (i) the date on which Employee ceases to be employed as an executive corporate officer of the Company, other than as a result of an Involuntary Termination by the Company without Cause or (ii) the date that all obligations of the parties hereunder have been satisfied. A termination of the terms of this Agreement pursuant to the preceding sentence shall be effective for all purposes, except that such termination shall not affect the payment or provision of compensation or benefits on account of a termination of employment occurring prior to the termination of the terms of this Agreement. The rights and duties created by this Section 1 may not be modified in any way except by a written agreement executed by an officer of the Company upon direction from the Board of Directors.

2. BENEFITS UPON TERMINATION OF EMPLOYMENT.

(a) TERMINATION FOR CAUSE. If Employee's employment is terminated for Cause at any time, then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(b) VOLUNTARY RESIGNATION. If Employee voluntarily resigns from the Company (the Employee's employment does not end by reason of Involuntary Termination), then Employee shall not be entitled to receive payment of any severance benefits. Employee will receive payment for all salary as of the date of Employee's termination of employment and Employee's benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law.

(c) INVOLUNTARY TERMINATION. If Employee's employment is terminated for Involuntary Termination, then the Employee shall be entitled to: (1) a lump sum cash severance payment equal to six (6) months of Employee's then current annual base salary (less appropriate withholding deductions); (2) six months of COBRA Continuation paid by the Company if COBRA Continuation is elected; (3) an additional six months vesting of employee's stock option to purchase the Company's Common Stock; and (4) as per the Dynavax Technologies 1997 Stock Option Plan, ninety days to exercise vested options.

(d) TERMINATION FOR DEATH OR DISABILITY. If Employee's employment terminates due to Employee's death, then Employee will receive any salary earned (less appropriate withholding deductions) through the date of termination of employment. If Employee's employment terminates due to becoming disabled, all salaries due to Employee will have been paid through the date of inception of Employee's disability.

In the event of either termination for death or disability, the exercise period of all vested options granted to Employee by the Company is extended to twelve (12) months from the date of termination of employment.

3. BENEFITS UPON A CHANGE OF CONTROL.

(a) TREATMENT OF STOCK OPTIONS. In the event of a Change of Control and the Employee (i) is offered and accepts a position with the New Company , or (ii) is not offered a position as an executive officer with the New Company, then immediately prior to the time of effectiveness of the Change of Control an additional two years vesting of employees stock option to purchase the Company's Common Stock granted to Employee over the course of his employment with the Company and held by Employee on the effective date of a Change of Control shall immediately vest on such date as to that number of shares that would have vested in accordance with the terms of the 1997 Incentive Plan, as amended. "New Company", as used in this section shall mean: (a) in the case of a Change of Ownership (as defined in Section 4(a)(i) below), the Company; (b) in the case of a Merger (as defined in Section 4(a)(ii) below), the surviving entity; or (c) in the case of a Sale of Assets (as described in section 4(a)(ii) below), the purchaser of all or substantially all of the Company's assets.

(b) SEVERANCE. In the event that Employee's employment is terminated within twenty-four (24) months of a Change of Control, the Employee shall be entitled to: (1) a lump sum cash severance payment equal to twelve (12) months of Employee's then current annual base salary (less applicable withholding deductions); (2) a lump sum cash payment equal to the Employee's target incentive bonus of 40% (less applicable withholding deductions) {or such higher percentage then in effect under the management incentive program or other similar bonus program} of the Employee's then current annual base salary; and (3) twelve (12) months Company-paid COBRA continuation coverage upon Employee's election of COBRA Continuation Coverage.

4. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) CHANGE OF OWNERSHIP. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) MERGER/SALE OF ASSETS. A merger or consolidation of the Company whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(b) CAUSE. "Cause" shall mean (i) gross negligence or willful misconduct in the performance of Employee's duties to the Company where such gross negligence or willful misconduct has resulted or is likely to result in substantial and material damage to the Company or its subsidiaries (ii) repeated unexplained or unjustified absence from the Company, (iii) a material and willful violation of any federal or state law; (iv) commission of any act of fraud with respect to the Company or (v) conviction of a felony or a crime involving moral turpitude causing material harm to the standing and reputation of the Company, in each case as determined in good faith by the Board.

(c) INVOLUNTARY TERMINATION. "Involuntary Termination" shall mean (i) any termination by the Company other than for Cause; (ii) Employee's voluntary termination following a material reduction or change in job duties, responsibilities and requirements inconsistent with the Employee's position with the Company and the Employee's prior duties, responsibilities and requirements or a change in the level of management to which the Employee reports; (iii) any reduction of Employee's base compensation (other than in connection with a general decrease in base salaries for most officers of the successor corporation); or (iv) Employee's refusal to relocate to a facility or location more than 15 miles from the Company's current location.

5. CONFLICTS. Employee represents that his performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that he is entering into or has entered into an employment relationship with the Company of his own free will and that he has not been solicited as an employee in any way by the Company.

6. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. NOTICE. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address that Employee most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

8. MISCELLANEOUS PROVISIONS.

(a) NO DUTY TO MITIGATE. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(b) WAIVER. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) WHOLE AGREEMENT. No agreements, representations or understandings (whether oral or written and whether expressed or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof except as set forth in the employment offer letter from the Company to the Employee dated June 10, 2003. This Agreement supersedes any agreement of the same title and concerning similar subject matter dated prior to the date of this Agreement, and by execution of this Agreement both parties agree that any such predecessor agreement shall be deemed null and void.

(d) CHOICE OF LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) SEVERABILITY. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefore to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

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[SIGNATURE PAGE FOLLOWS]

The parties have executed this Agreement on the date first written above.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ Dino Dina

Title: President & CEO

Address: 717 Potter Street, Suite 100
Berkeley, CA 94710

GARY VAN NEST, PHD

Signature: /s/ Gary Van Nest, PhD

Address: 639 Skyline Drive
Martinez, CA 94553

[PricewaterhouseCoopers Letterhead]

Exhibit 16.1

October 23, 2003

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We have read the statements made by Dynavax Technologies Corporation, included within this Registration Statement on Form S-1 dated October 23, 2003 pursuant to Item 11(i) of Form S-1. We agree with the statements concerning our Firm in such Form S-1.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

EXHIBIT 23.2

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference of our firm under the caption "Experts" and to the use of our report dated February 28, 2003, except for Note 13, as to which the date is October 21, 2003 in the Registration Statement (Form S-1) and the related Prospectus of Dynavax Technologies Corporation for the registration of shares of its common stock.

ERNST & YOUNG LLP

Palo Alto, California

The foregoing consent is in the form that will be signed upon the consummation of the reverse stock split described in Note 13 to the consolidated financial statements.

/s/ ERNST & YOUNG LLP

Palo Alto, California

October 21, 2003

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated July 20, 2001, except as to the second paragraph of Note 13 which is as of October 23, 2003, relating to the financial statements of Dynavax Technologies Corporation, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California

October 23, 2003